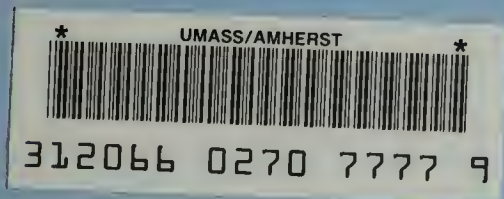


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Office of the Comptroller

Payroll Expenditure Policy Manual

January 14, 2000

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INTRODUCTION

Welcome to the Commonwealth Payroll Expenditure Policy Manual.

This manual provides the Commonwealth's policies on payroll expenditures as found in statute, Payroll Memos, Fiscal Year memos, and other sources of information prepared over a number of years. It is hoped that this will be viewed as a reference for all those in the State Government who are responsible for payroll related activities, including but not limited to Department Heads, Chief Fiscal Officers and Payroll Directors.

Pursuant to Massachusetts General Laws, Chapter 7A, the Office of the Comptroller has the responsibility for establishing the state accounting system and has full authority to prescribe the requisite forms and books of accounts, which includes the classification and accounting of payroll expenditures. The purpose of the Commonwealth Payroll Expenditure Policy Manual is to provide Commonwealth Departments with guidance for the appropriate classification and processing of payroll expenditures in compliance with state finance law. The term "Department" in this manual refers to MMARS Departments, which include state agencies, boards, offices, institutions, departments, divisions, constitutional offices, independent agencies, commissions and elected offices of the Commonwealth within the Executive Branch, the Legislative Branch or the Judicial Branch.

Departments have a responsibility for establishing internal control systems and procedures which assure adherence to and compliance with the policies set forth by this office. As specified in the Internal Control Act (Chapter 647 of the Acts of 1989), internal procedures should assure safeguards, validity, completeness, timeliness, authorization, and accuracy of all information processed through the payroll systems. Departments are responsible for documenting and distributing internal procedures to their staff in order to assure compliance to these policies within their Department. Please refer to the Office of the Comptroller's *Internal Control Guide* and related material for additional information. This material can be accessed through the Comptroller's web page: <http://www.osc.state.ma.us/>.

Where appropriate, statutes governing State finance and federal statutes are referenced within the Manual allowing the reader to identify the source and foundation of policy.

The Comptroller of the Commonwealth is responsible for designing and maintaining statewide systems which assure financial management standards. The Comptroller is authorized to approve any payroll system used in the Commonwealth, to ensure that the system is capable of transmitting accurately and timely payroll data to the state accounting system, the Massachusetts Management and Reporting System (MMARS), and that the system meets other state financial law and federal law requirements. The Office of the Comptroller is the tax clearinghouse for all statewide expenditure issues. All Forms W-2 and 1099, with the Commonwealth identification number of 04-6002284, are issued to individuals and corporations through the Commonwealth's central systems by the Office of the Comptroller. Exceptions to this policy must be approved by the Comptroller.

The Commonwealth's payroll system is managed by the Office of the Comptroller and all deductions and payments are disbursed by the State Treasurer's office.

This manual covers expenditure policy relating to these payroll items:

- types of employees eligible for payment
- how to pay employees
- what payroll deductions are allowed
- payroll accounting

- payroll expenditure approval
- tax administration
- reports management and retention
- Commonwealth's payroll and labor distribution systems
- wage reporting

Departments will be required to maintain all payroll records in accordance with the confidentiality and public records requirements of Massachusetts General Law Chapters 66 and 66A as applicable.

It is our intent to provide updates to this Manual as needed. For this reason it may be more useful for the reader to access it frequently on the intranet rather than printing it for distribution. The Comptroller's web site address is <http://www.osc.state.ma.us/>.

CHAPTER 1

EMPLOYEE – EMPLOYER RELATIONSHIP

POLICY TITLE:

TYPES OF EMPLOYMENT

DATE ISSUED:

1/14/00

POLICY #:

1-1

PAGE(S):

1

POLICY

There are three categories of individuals who provide services to the Commonwealth of Massachusetts:

- 1) State Employees - individuals appointed or elected to state positions who contribute to the State Retirement System and are eligible to participate in the group insurance programs. State employees have an employee-employer relationship with the Commonwealth. These individuals are paid through the payroll system, have tax withholding and other deductions.

State employees include regular positions, intermittent positions, seasonal positions, excess quota positions and commission/board member positions. These positions are scheduled through the Human Resources Division for Executive Departments.

- 2) Contract Employees - individuals who do not occupy state positions, nor contribute to the State Retirement System or group insurance programs, but who must contribute to the Alternate Retirement System. Contract employees have employee-employer relationships pursuant to individual contracts with the Commonwealth. These individuals are paid through the payroll system, have tax withholding and other deductions.
- 3) Independent Contractors – individuals who do not occupy state positions nor contribute to the State Retirement System or Alternate Retirement System. Independent contractors do not have an employee-employer relationship pursuant to individual contracts with the Commonwealth. These individuals are paid through the accounting system with no tax withholding or other deductions.

It is the responsibility of every Commonwealth branch and Department to:

- Prior to hiring any individual, determine (using the Internal Revenue Service (IRS) form SS-8) whether or not the job responsibilities anticipated for that individual will create an employee-employer relationship. The SS-8 form can also be applied to a class of individuals and does not necessarily have to be completed separately for each individual.
- Upon hiring an individual, make sure income and medicare taxes are withheld from wages paid to both state employees and contract employees, in amounts determined by the employees' withholding certificates and governmental withholding tax tables.

The IRS Form SS-8 can be found on the IRS website:

<http://ftp.fedworld.gov/pub/irs-pdf/fss8.pdf>

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller and appropriate human resource authorities jointly establish/identify and implement the policy on Types of Employment.
AUTHORITY	Massachusetts General Laws, Chapter 7, Section 30 Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 29, Section 29A Massachusetts General Laws, Chapter 29, Section 31 Massachusetts General Laws, Chapter 30, Section 38 Massachusetts General Laws, Chapter 150E, Section 1 801 CMR 21.00 (re: Contract Employees and Independent Contractors) Commonwealth Procurement Policies and Procedures Handbook (re: Contract Employees and Independent Contractors) Omnibus Budget Reconciliation Act of 1990 Federal Insurance Contributions Act (FICA) IRS Form SS-8 "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding" MMARS Memo #159A and 159B

CHAPTER 1**EMPLOYEE – EMPLOYER RELATIONSHIP****POLICY TITLE:** STATE EMPLOYEES**DATE ISSUED:** 1/14/00**POLICY #:** 1-2**PAGE(S):** 1**POLICY**

State employees are individuals who are employed in state positions, as authorized by the applicable statute or human resource authority. Compensation for state employees includes regular salary, overtime and other financial benefits authorized in statute, collective bargaining agreements, etc. All executive Departments are subject to the personnel rules and regulations of the Human Resources Division (HRD) for employment compensation payments.

Those Departments not subject to HRD regulations for job classification include the Legislature, Judiciary, State Treasurer, State Auditor, State Secretary, Attorney General, District Attorneys, Sheriffs, Higher Education (a small number of positions are covered), and Independent Commissions and Boards. These entities are governed by each entity's respective enabling statute, collective bargaining agreements, personnel policies, and applicable State and Federal laws.

State Employees:

- Are paid through the Commonwealth's payroll system;
- Are entitled to membership in the state retirement plan;
- Are entitled to membership in the GIC sponsored insurance programs;
- Are eligible for fringe benefits, sick, vacation or personal leave; and
- Receive a W-2 tax form

Intermittent and Seasonal employees are two categories of State Employees in Executive Departments with different rules concerning leave benefits than their regular part-time and full-time counterparts.

Per Diem Employees are employees who generally are appointed to serve on special state boards and commissions, and for whom statute provides a moderate fee to be paid to compensate them for this service. The amount of the fee or the authority to set the fee is usually described in statute; some may also be eligible for reimbursement of expenses related to their function, but these employees are not eligible for leave or other benefits. These employees do not come under the oversight of the Human Resources Division.

Intermittent Employees

Intermittent employees either work less than 50% of the hours in a work week of a regular full-time employee in the same title, or work less than 50% of a work year of a full-time employee. Intermittent employees are not eligible for paid vacation, personal leave, sick leave, holiday pay or GIC-sponsored insurance. Please refer to the personnel rules and regulations of the Human Resources Division (HRD) for further clarification.

Seasonal Employees

Seasonal employees are employees hired on a seasonal basis whose employment is for a period of ninety (90) consecutive days or more. Their eligibility for benefits is determined through applicable collective bargaining contracts.

All state employees (other than those on leave without pay) are included in the Full-Time Equivalent (FTE) count of Commonwealth staff, depending on the type of authorized state position they occupy.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller and appropriate human resource authorities jointly establish/identify and implement the policy on State Employees.

AUTHORITY

Massachusetts General Laws, Chapter 7, Section 30
Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 30, Sections 38, 45, 46 and 49
Massachusetts General Laws, Chapter 150E, Section 1
The Commonwealth of Massachusetts Expenditure Classification Handbook
issued by the Office of the Comptroller, April 1999
26 USC §3121 - Federal Insurance Contributions Act (FICA)
29 USC §201 - Fair Labor Standards Act

CHAPTER 1	EMPLOYEE – EMPLOYER RELATIONSHIP
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POLICY TITLE: CONTRACT EMPLOYEES

DATE ISSUED: 1/14/00

POLICY #: 1-3

PAGE(S): 1

POLICY

Contract employees are individuals who are employed through individual contracts, as opposed to being appointed into authorized positions, as is the case for state employees. Contract Employees have an employer-employee relationship with the Commonwealth. These individuals are paid through the payroll system and have tax withholding and other deductions.

It is very important that any individuals under a contract with a Department are properly categorized as either Contract Employees or Independent Contractors.

To determine whether an anticipated contract opportunity will qualify as that of a Contract Employee contract or a contract for an Independent Contractor, a Department must, prior to selecting an individual for the contract, test the contract job requirements using the IRS Form SS-8 (Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Withholding).

If the result of the IRS SS-8 test indicates that an employer-employee relationship exists, the Department may hire an individual for a Contract Employee contract using the standard job posting and hiring practices the Department uses for state employees.

Contract Employees:

- Are not included in the Full Time Equivalent (FTE) count of Commonwealth employees;
- Are not entitled to membership in the state retirement plan;
- Are not entitled to membership in any employee insurance programs;
- Are not eligible for fringe benefits, sick, vacation or personal leave;
- Are required to contribute to the Omnibus Budget Reconciliation Act of 1990 (OBRA) Alternate Pension Plan;
- Must complete a Form W-9 or Form W-4;
- Must execute a Commonwealth Terms and Conditions contract form;
- Must execute a Standard Contract form;
- Must complete a Consultant Contractor Mandatory Submission Form (if applicable); and
- Receive a W-2 tax form.

There are two types of contract employees: consultants and non-consultants.

Consultants

- Perform specialized services that are not ordinarily available from state employees and shall not be used as substitutes for state positions;
- Provide advice or services regarding matters in the field of his/her knowledge or training;
- Are paid through the Commonwealth's payroll system under subsidiaries HH and NN;

Non-Consultants

- Perform operational and client services;
- Are paid through the Commonwealth's payroll system under subsidiaries CC, JJ and MM.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements this policy on Contract Employees.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 29A
801 CMR 21.00
IRS Form SS-8 "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding"
The Commonwealth of Massachusetts Expenditure Classification Handbook issued by the Office of the Comptroller, April 1999
MMARS Memo #159A, 159B and 164
Omnibus Budget Reconciliation Act of 1990 (OBRA)
29 USC §201 Fair Labor Standards Act

CHAPTER 1**EMPLOYEE – EMPLOYER RELATIONSHIP**

POLICY TITLE: **INDEPENDENT CONTRACTORS**

DATE ISSUED: **1/14/00**

POLICY #: **1-4**

PAGE(S): **1**

POLICY Independent contractors are individuals hired to perform professional and operational services under contracts for defined periods of time. Independent contractors do not have an employee-employer relationship with the Commonwealth.

It is very important that any individuals under a contract with a Department are properly categorized as either Independent Contractors or Contract Employees.

To determine whether an anticipated contract opportunity will qualify as a contract for an Independent Contractor or Contract Employee, a Department must, prior to selecting an individual for the contract, test the contract job requirements using the IRS Form SS-8 (Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Withholding).

If the result of the IRS SS-8 test indicates that an employer-employee relationship does not exist, the Department must conduct a competitive procurement to select an individual for the contract. Executive Departments are required to use a Request for Response (RFR) and follow 801 CMR 21.00 to select Independent Contractors.

Independent contractors:

- Are not included in the Full Time Equivalent (FTE) count of Commonwealth employees;
- Are paid via a payment voucher (PV) out of the Massachusetts Management Accounting and Reporting System (MMARS) under subsidiaries HH, JJ, MM and NN;
- Direct their own work;
- Are not entitled to membership in a state, or any retirement plan;
- Are not entitled to membership in any employee insurance programs;
- Are not eligible for fringe benefits, sick, vacation or personal leave;
- Must complete a Form W-9 (Massachusetts Substitute W-9 Format)
- Must complete a Commonwealth Terms and Conditions Form;
- Must complete a Standard Contract Form;
- Must complete a Consultant Contractor Mandatory Submission Form (if applicable); and
- Receive a 1099 tax form.

Independent Contractors can be either Consultants or Non-consultants.

Consultants

- Perform specialized services that are not ordinarily available from state employees and shall not be used as substitutes for state positions;
- Provide advice or services regarding matters in the field of his/her knowledge or training; and
- Are paid through the Commonwealth's accounting system (MMARS) under subsidiaries HH and NN.

Non-Consultants

- Perform operational and client services; and
- Are paid through the Commonwealth's accounting system (MMARS) under subsidiaries JJ and MM.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements this policy on Independent Contractors.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 29A
801 CMR 21.00
IRS Form SS-8 "Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding"
The Commonwealth of Massachusetts Expenditure Classification Handbook
issued for the respective fiscal year.

CHAPTER 2	THE CENTRAL PAYROLL SYSTEMS
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POLICY TITLE: HUMAN RESOURCES COMPENSATION MANAGEMENT SYSTEM (HR/CMS)

DATE ISSUED: 1/14/00

POLICY #: 2-1

PAGE(S): 1

POLICY

The Human Resources Compensation Management System (HR/CMS) is a biweekly payroll system that supports all employees in all branches of government (with the exception of the University of Massachusetts). HR/CMS provides enhanced functionality for state human resources and payroll administrators and assures conformity to state and federal financial and legal requirements. HR/CMS also allows for standardized data for new hires across the Commonwealth including the reporting of EEO/AA goals, enhanced services to employees such as multiple direct deposit opportunities, and greater flexibility to administer payroll.

HR/CMS is comprised of four major subsystems:

- Human Resources
- Payroll
- Time and Labor Reporting
- Base Benefits Administration

HR/CMS is a unified, enterprise-wide, application that is run on a client/server platform and provides an adaptable set of functions and capabilities to meet the human resource and compensation needs of the Commonwealth.

The HR/CMS payroll interfaces biweekly with the Commonwealth's Payroll Cost Reporting System (PCRS) for funds availability editing and labor distribution. HR/CMS then updates the state accounting system, the Massachusetts Management Accounting and Reporting System (MMARS).

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The HR/CMS Executive Committee comprised of the Human Resources Division, the Office of the Comptroller, the Office of the State Treasurer, the Executive Office for Administration and Finance, the Board of Higher Education, the Group Insurance Commission, the Trial Court and the Supreme Judicial Court jointly establish/identify and implement the policy on HR/CMS.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 31

CHAPTER 2	THE CENTRAL PAYROLL SYSTEMS
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POLICY TITLE: HUMAN RESOURCE MANAGEMENT INFORMATION SYSTEM (HRMIS)

DATE ISSUED: 1/14/00

POLICY #: 2-2

PAGE(S): 1

POLICY

The Human Resource Management Information System (HRMIS) is a centrally maintained payroll system that supports all employees at the University of Massachusetts campuses. HRMIS provides the efficiencies of central processing and assures the system conforms to state, federal and University financial and legal requirements. HRMIS also allows for flexible implementation of decentralized campus policies that report deduction processing, dues schedules, fee schedules, and categorizations (such as affirmative action or employee types). University personnel are responsible for insuring that all Commonwealth payroll expenditure policies are managed through HRMIS or administratively.

HRMIS is comprised of five major subsystems:

- Personnel
- Time and Attendance
- Employee Payroll
- Student Payroll
- Retroactive Payroll Adjustments

Each campus has total responsibility for collection and input of all payroll and personnel data, printing of system-generated reports, creation of ad hoc reports, downloading of data for use by local reporting systems, and maintenance of all campus tables.

The HRMIS payroll interfaces weekly with the Commonwealth's Payroll Cost Reporting System (PCRS) for funds availability editing and then updates the state accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). This ensures compliance of the UMASS systems with the state's payroll and accounting systems.

APPLICABILITY This policy applies to the University of Massachusetts.

RESPONSIBLE PARTY The Office of the Comptroller establishes/identifies and implements the policy for HRMIS payroll expenditures.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 75, Section 10

CHAPTER 2	THE CENTRAL PAYROLL SYSTEMS
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POLICY TITLE: PAYROLL COST REPORTING SYSTEM (PCRS)

DATE ISSUED: 1/14/00

POLICY #: 2-3

PAGE(S): 1

POLICY

The Payroll Cost Reporting System (PCRS) checks the availability of funds and verifies that the account number, subsidiary, Department and secretariat match the legislatively authorized information as appropriated in the corresponding General Appropriation Act, supplemental appropriation or other general or special law as loaded in the state accounting system (MMARS). PCRS provides management cost categories from the accounting system and a Department defined labor distribution facility. PCRS cost accounting data will always be in sync with the state accounting system (MMARS).

PCRS is comprised of four major subsystems:

- Rules
- Time Collection
- Distribution
- Adjustments

Statutory Rules

Statutory rules requested by Departments to transfer payroll expenditures by employee position or account must be approved by the Office of the Comptroller annually. All added, modified, or deleted rules are stored in the rules audit file. Statutory compliance (account specific, alternate account, and position assigned) rules tables allow Departments to request annual approval of account control settings and supporting relationships between accounts and positions. Approval for statutory compliance rules is based upon the authorizing language that governs the expenditure of funds. For appropriated funds, this authorization is in the current fiscal year's General Appropriation Act (GAA). For capital appropriation accounts and federal grants, the authorization is derived from the legislative language that establishes and governs the purpose of the funding and reporting requirements. For trust accounts, the authorization is derived from the bylaws that establish and govern the purpose of the funding and reporting requirement. The following is a list of account types and the governing language for each:

01 - Operating Appropriation Accounts – authorized by the GAA

02 - Capital Appropriation Accounts – authorized by capital bond appropriations

03 - Trust and Other Nongovernmental, Nonappropriated Accounts – authorized in general or special law and further detailed in trust agreements

04 - Federal Grant Accounts and Intragovernmental Service Fund Accounts - authorized in special sections of the GAA and grant agreements with the federal government.

To submit statutory rules for approval, Departments will enter their rules prior to the beginning of the fiscal year, complete PCRS Rules Request Forms, and submit all the relevant documentation to the Payroll Unit at the Office of the Comptroller. The Office of the Comptroller will review and approve rules submitted by Departments, based upon the governing language which authorizes the expenditure. Instructions on how to fill out the form can be found in the PCRS Procedures Manual.

PCRS Rules Request Forms can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/PCRSrulesform.pdf>

Conditional Payrolls

If funds are not available on MMARS to meet the payroll, a conditional payroll occurs. The Office of the Comptroller and Departments are notified online that a conditional payroll exists and payroll payments are held until funding issues are resolved.

Iterative processing is provided to enable the Office of the Comptroller and the Office of the Treasurer to release unfunded payrolls once funding issues are resolved.

Departments are responsible for monitoring predictive reports in order to assure that payrolls will process successfully. In the event that a conditional payroll occurs, due to lack of funding, Departments are responsible for contacting the Office of the Comptroller when funding issues are resolved so that payroll direct deposits and/or checks can be released. Released payments will be either in the form of a direct deposit or check, depending on which form of payment the employee has already elected to receive.

Labor Distribution

Departments are able to establish and define additional cost categories in PCRS to distribute payroll charges. These tables are Department maintained and do not require Comptroller's approval. Examples of the types of labor distribution cost categories that are available in PCRS are:

Secretariat Defined Labor Cost Accounting Tables – these two tables allow secretariats to define and require specific fields/values for all employees that report to that secretariat. Secretariats are responsible for initiating and maintaining these tables along with distributing internal procedures to their staff on the use of these fields.

Department Defined Labor Cost Accounting Tables – these six tables allow Departments to define and require specific fields/values for all employees that report to that Department. Departments are responsible for initiating and maintaining these tables along with distributing internal procedures to their staff on the use of these fields.

Display and Maintenance Rules Tables – these tables allow Departments to require the use of MMARS nonstatutory cost accounting fields, to tailor labor cost accounting exception screen displays, and to indicate which tables should be rolled over at fiscal year transition. The types of display and maintenance tables available in PCRS are:

Org Code Table:	enables a Department to limit the use of MMARS organization codes within PCRS.
Program Code Table:	enables a Department to limit the use of MMARS program codes within PCRS.
Program Code/Dept-1 Table:	enables a Department to establish a relationship between program codes and values on their Department defined table 1.
Nonstatutory Requirements:	enables a Department to choose whether or not to make a selected nonstatutory field required Department wide.
Exception Screen Layout:	enables a Department to select the layout of the exception screen.
Fiscal Year Rollover:	enables a Department to choose the tables they want rolled over at fiscal year transition time.

Adjustments

All Departments, with the exception of UMASS, are responsible for processing their payroll expenditures and adjustments through PCRS in order to assure that balance is maintained between PCRS and MMARS. UMASS is responsible for processing their payroll expenditures through PCRS and adjusting their payroll expenditures through MMARS transactions. The types of adjustment transactions that can be used are listed below:

For all Departments except UMASS:

Expenditure Correction (XA)
Payroll Reject (XD)
Insufficient Funds (XF)
Expenditure Refund (XE)
Cash Transfer (XC)
User Defined Correction (XU)

For UMASS:

Expenditure Correction (EX)
Payroll Reject (PR)
Insufficient Funds (IF)
Expenditure Refund (ER)
Cash Transfer (CT)

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

The Office of the Comptroller establishes/identifies and implements this policy on PCRS.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 14B
Massachusetts General Laws, Chapter 29, Section 20
Massachusetts General Laws, Chapter 29, Section 27
Massachusetts General Laws, Chapter 29, Section 29
Massachusetts General Laws, Chapter 29, Section 31

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: PAYROLL DEDUCTION ADMINISTRATION

DATE ISSUED: 1/14/00

POLICY #: 3-1

PAGE(S): 1

POLICY There are two types of payroll deductions: mandatory and voluntary. All deductions must be authorized by statute or other legal authority.

Mandatory Deductions

Mandatory payroll deductions are mandated by statute and can either be pre or post tax deductions. Mandatory deductions include federal and state taxes, retirement contributions, and wage garnishments. These deductions are transferred by TRE to the proper Commonwealth accounts or Payees.

Voluntary Deductions

Voluntary payroll deductions are for programs that are legislatively authorized as either a Commonwealth program or a program in which the Commonwealth's fiduciary responsibility is limited solely to ensuring that the employee's requested deduction is disbursed to the designated authorized vendor. Voluntary deductions are payroll deductions that an employee can authorize to be taken from their net pay and have it paid directly to an authorized vendor. They can either be pre or post tax deductions.

Programs sponsored by the Commonwealth include, but are not limited to: health programs sponsored by the Group Insurance Commission, the Dependent Care Assistance Program offered by the Human Resources Division, and the Deferred Compensation Program offered by the Office of the State Treasurer. Payroll deductions for which the Commonwealth merely has a disbursement role include Savings Bonds, COMECC, dental/vision insurance, special insurance programs endorsed by recognized state employee organizations, union dues and agency fees.

Deduction Hierarchy

Mandatory and voluntary payroll deductions are taken from an employee's pay in this order:

Federal Tax - mandatory pre-tax deduction for federal tax based on employee's Form W-4.

Federal Additional Tax - voluntary pre-tax deduction for additional federal tax authorized by employee on Form W-4.

Medicare Tax – mandatory pre-tax deduction for Medicare tax for employees hired on or after 4/1/86.

Medicare Additional Tax – voluntary pre-tax deduction for additional Medicare tax authorized by employee.

State Tax – mandatory pre-tax deduction for state tax based on employee's Form W-4 or Form M-4.

State Additional Tax – voluntary pre-tax deduction for additional state tax authorized by employee on Form W-4 or Form M-4.

Regular Retirement – mandatory pre-tax deduction for regular retirement (both regular and higher ed) contribution for state employees only.

Additional Regular Retirement – mandatory additional 2% retirement pre-tax deduction on the amount of the employee's salary that exceeds \$30,000 per year, and were hired on or after 1/1/79.

Alternate Retirement – mandatory pre-tax deduction for alternate retirement for contract employees.

Wage Garnishments – mandatory post-tax deduction to satisfy a child support order, IRS tax levy, DOR tax levy, Spousal Support, Student Loan repayment, DTA recovery of overpayments, DMA reimbursements of medical assistance and court ordered garnishment.

Salary Advance – voluntary post-tax deduction for advances to an employee's wages, given at a Department's discretion for emergency situations.

Makeup Alternate Retirement - voluntary pre-tax deduction for alternate retirement that a contract employee is paying back (makeup) that is subject to taxation.

Extra Retirement Nontax – voluntary pre-tax deduction for employees paying back their makeup retirement, that is not subject to tax (for services rendered after 1988).

Extra Retirement Taxable - voluntary post-tax deduction for employees paying back their makeup retirement, that is subject to tax (for services rendered before 1988).

Basic Insurance – voluntary pre or post-tax deduction for health and life insurance premiums for employee.

Long Term Disability (LTD) Insurance – voluntary post-tax deduction to purchase long term disability insurance.

Dental/Vision Insurance – voluntary post-tax deduction for dental/vision insurance premiums –for management, confidential employees, Judicial employees, and constitutional offices not covered by their collective bargaining agreements.

Optional Life Insurance – voluntary post-tax deduction to purchase optional life insurance.

Special Insurance Deductions – voluntary post-tax deduction for the purchase of special insurance (based on union endorsement).

Union Dues – mandatory post-tax deduction for union dues for all employees who belong to a bargaining unit.

Agency Service Fees – mandatory post-tax deduction for agency service fees for those employees who choose not to join a union.

Dependent Care Assistance Program (DCAP) – voluntary pre-tax deduction to dependent care assistance program (\$5,000/per year limit).

DCAP Fee – mandatory post-tax deduction for an administrative fee if employee is enrolled in the DCAP program.

Tax Shelter Annuity – voluntary pre-tax deduction to a tax shelter annuity that is authorized by employee.

Deferred Compensation – voluntary pre-tax deduction to an additional retirement savings program authorized by employee.

Savings Bonds – voluntary post-tax deduction to purchase savings bonds.

United Way (COMECC) – voluntary post-tax deduction for a contribution to the United Way/Commonwealth of Massachusetts Employees Charitable Campaign (COMECC).

MBTA Passes – voluntary post-tax deduction for MBTA passes.

Commonwealth Fees – voluntary post-tax deduction to satisfy an authorized fee owed by employees to the Commonwealth.

DEDUCTION ELIGIBILITY CHART

Deduction	State Employees	Contract Employees
Federal Income Tax	✓	✓
Medicare Tax *mandatory deduction for employees hired after March 31, 1986	✓*	✓*
State Income Tax	✓	✓
State Retirement	✓	
Higher Ed Optional Retirement	✓	
Alternate Retirement *If employee not eligible for State Retirement, they must contribute to Alternate Retirement	✓*	✓
Wage Garnishments	✓	✓
Salary Advances	✓	✓
Basic Insurance	✓	
Long Term Disability	✓	
Dental/Vision Insurance	✓	
Optional Life Insurance	✓	
Special Insurance *Related bargaining units	✓*	✓*
Union Dues	✓	
Agency Service Fees	✓	
DCAP	✓	✓
TSA *Are offered to all employees of state colleges, universities, and other qualified individuals employed in an educational capacity	✓*	✓*
Deferred Comp	✓	✓
Savings Bonds	✓	✓
COMECC	✓	✓
MBTA Passes	✓	✓
Commonwealth Fees	✓	

Funded/Unfunded Processing

All mandatory and voluntary deductions, with the exception of Savings Bonds, are subject to funded/unfunded processing. If the payroll account from which the deduction amount to be taken is unfunded at the time of payroll processing, the deduction will not be taken. Once the account is funded, the deduction will be processed and payment will be sent to the appropriate payee.

Payroll Deduction Responsibilities

The Commonwealth is responsible for ensuring an employee's voluntary payroll deduction is disbursed to the designated authorized vendor and for making changes to mandatory deductions as ordered by the cognizant authority. In keeping with that fiduciary responsibility, each affected party has responsibilities that are outlined below:

Employee Responsibilities

The employee is solely responsible for:

- Initiating new deductions, changing deductions or canceling deductions with an authorized vendor.
- Providing his/her payroll Department with the necessary authorization when starting or changing a payroll deduction.
- Providing his/her payroll Department with the necessary discontinuation form when ending a payroll deduction.
- Knowing what type of policy/account they have, who their authorized vendor is, what their policy/account contains, and the amount they have authorized to be deducted through the payroll system.

Payroll Department Responsibilities

The payroll Department is solely responsible for:

- Ensuring that only court ordered or legislatively authorized deductions are processed.
- Verifying, entering or discontinuing an employee's voluntary payroll deduction based on authorization provided to them by the employee.
- Making changes or canceling an employee's voluntary deduction only with written authorization from the employee, unless a deduction is found not to be court ordered or legislatively authorized.
- Rectifying immediately, upon discovery, any data entry error made by the payroll Department and recapturing any misdirected payments on behalf of the employee.

The payroll Department is not responsible for knowing what type of policy/account an employee has or what their policy/account contains.

Authorized Vendor Responsibilities

The authorized vendor is responsible for:

- Correctly applying payments received from the payroll system of the Commonwealth on behalf of its employee(s).
- For Special Insurance deductions only: verifying that an employee is part of a bargaining unit that endorses said authorized vendor prior to discussing a payroll deduction for that employee.

Office of the Comptroller Responsibilities

The Office of the Comptroller is responsible for:

- Reviewing and approving/disapproving all payroll deduction requests from Departments in accordance with statute or other legal authority.
- Providing a system to enable Departments to accurately process deductions on behalf of employees.
- Establishing clear guidelines, communicating changes in policy and providing payroll systems that can accurately and completely remit authorized deductions to authorized vendors.
- Maintaining the Vendor and Payee tables.

Vendor Payment Table

The Vendor Payment Table lists all vendors authorized by the Office of the Comptroller. The Office of the Comptroller manages the Vendor Payment table and verifies that the authorized vendor is part of an authorized deduction program.

All deductions will be paid to authorized vendors by Electronic Funds Transfer (EFT). EFT payments will require a bank account number and bank routing number for all vendors established on the Vendor Payment Table. Departments must obtain this EFT information from the authorized vendors.

Authorized vendors can have multiple deduction codes associated with their vendor id. An authorized vendor can request that payments associated with each deduction code under their purview be sent to separate banks. The authorized vendor can also have all their deduction payments roll up into one payment. The flexibility of the payroll system can handle both situations.

Departments who wish to add an authorized vendor to the Vendor Payment Table must submit an Authorized Vendor Request Form to the Comptroller's Payroll Unit. If the authorized vendor is verified as part of an authorized program, the Payroll Unit will add the vendor to the vendor table. If the request is not authorized, the Comptroller's Payroll Unit will return the request form to the Department with the reason for denial.

Garnishment Payee Table

Employees with mandatory garnishment deductions (authorized by a court order, tax levy or other legal entity) will have their payments going to payees listed on the Garnishment Payee Table. The Garnishment Payee Table is separate from the Vendor Payment Table and only includes these payable entities: the IRS, DOR, Spousal Support payees, DMA, DTA, Student Loan payees and other payees authorized by law. The Office of the Comptroller manages the Garnishment Payee table.

Garnishment deductions to government payees (IRS, DOR, DMA, DTA, Student Loan payees) will be paid by Electronic Funds Transfer (EFT). For other payees, such as court ordered spousal support, Departments can either obtain a bank account number and bank routing number for EFT processing, or a paper check will be issued by the system for that payment.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Payroll Deduction Administration.
AUTHORITY	26 USC §3402(a)(1) – Federal Withholding Tax 26 USC §3121(u)(2) – Medicare Tax (FICA) 26 USC §219 – Computation of Taxable Income, Additional Itemized Deductions Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 62B, Section 2 – State Withholding Tax Massachusetts General Laws, Chapter 32, Sections 22-25 – Regular Retirement Massachusetts General Laws, Chapter 15A, Section 40 – Alternate Retirement Massachusetts General Laws, Chapter 29, Section 23-25, 31 – Salary Advances Massachusetts General Laws, Chapter 32A, Sections 4,5,8,10C – Basic Insurance Massachusetts General Laws, Chapter 149, Section 178B – Optional Deductions Optional Deduction Policy issued by the Office of the Comptroller Massachusetts General Laws, Chapter 180, Section 17A – Union Dues Massachusetts General Laws, Chapter 180, Section 17G – Agency Service Fees IRS Code Title 26, Section 129 – Dependent Care Assistance Program IRS Publication 571, "Tax-sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations" Massachusetts General Laws, Chapter 29, Section 64 – Deferred Compensation 26 USC §404 – Deferred Compensation Massachusetts General Laws, Chapter 180, Section 17F – Contributions to Mass Independent Health Agencies Massachusetts General Laws, Chapter 180, Section 17J – Insurance and Employee Benefits Massachusetts General Laws, Chapter 154, Section 8 – Savings Bonds Massachusetts General Laws, Chapter 180, Section 17B - COMECC Massachusetts General Laws, Chapter 180, Section 17H – MBTA Passes Commonwealth Fees – 801 CMR 4.03

Note: Please refer to Chapter 3 "Wage Garnishments" for authority for wage garnishments.

CHAPTER 3 INVOLUNTARY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** FEDERAL INCOME TAX**DATE ISSUED:** 1/14/00**POLICY #:** 3-2**PAGE(S):** 1**POLICY**

The Internal Revenue Service (IRS) requires employers to withhold federal income tax from wages paid to their employees based on the withholding exemptions claimed on the employee's Form W-4 (Employee's Withholding Allowance Certificate).

Employee's Withholding Allowance Certificates (Forms W-4)

Employers are required to provide Forms W-4 to their employees and the employees are required to submit to their employer, upon hire, a completed Form W-4 "Employee's Withholding Allowance Certificate". This certificate provides the basis for determining the proper amount of tax to withhold from an employee's wages. If an employee does not submit a completed Form W-4, federal income tax will be withheld at the single status rate, with no withholding allowances.

Every Commonwealth payroll Department is required to keep Form W-4's on file for their current employees for at least three years after the date the tax was due.

Form W-4 withholdings must be put into effect by the employee's payroll Department for the first payroll period ending after the Form W-4 is submitted. A Form W-4 remains in effect until the employee submits a new one.

If employees wish to make changes to their withholding allowances, they must submit a new Form W-4 to their payroll Department. This Form W-4 must be put into effect by the payroll Department no later than the beginning of the first payroll period ending on or after the 30th day after the form is received by the payroll Department.

The Commonwealth is required to provide each employee with a yearly Form W-2 statement detailing the total amount of federal tax deducted from their wages.

Form W-4's can be downloaded from the IRS website:

http://ftp.fedworld.gov/pub/irs-pdf/fw4_00.pdf

Claiming Exempt on Form W-4

Employees (including Non Resident Aliens) who claim an exemption from tax withholding on their Form W-4 must submit a new Form W-4 annually, attesting to their exempt status. Claims of exemption can be in effect for a maximum of one calendar year at which time the employee must re-file to claim Exempt status. If the employee does not submit a new Form W-4 for the new calendar year by February 15th of that year, they will have their tax status reset to the single status rate, with no withholding allowances.

Earned Income Credit Advance Payment Certificates (Forms W-5)

Employees who want to take advantage of advance Earned Income Credit (EIC) payments must file a Form W-5, "Earned Income Credit Advance Payment Certificate" attesting to their eligibility for the advance payments.

Forms W-5 must be put into effect by the employee's payroll Department for the first payroll period ending after the Form W-5 is submitted. Forms W-5 are only in effect for one calendar year. If a new Form W-5 is not filed by January 1st of the new calendar year, the payroll Department must stop making advance EIC payments.

Form W-5's can be downloaded from the IRS website:

http://ftp.fedworld.gov/pub/irs-pdf/fw5_00.pdf

Federal Withholding Tax:

- Is administered by the Internal Revenue Service;
- Is a mandatory deduction for Commonwealth employees
- Requires a Form W-4 (and a Form W-5 for AIEC payments); and
- Is deducted in every biweekly pay period.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Internal Revenue Service establishes/identifies the policy on Federal Income Tax. The Office of the Comptroller implements said policy for Commonwealth employees.
AUTHORITY	IRS Publication 15, "Circular E, Employer's Tax Guide" IRS Publication 15-A, "Circular E, Employer's Supplemental Tax Guide" 26 USC §3507(b)(e) 29 CFR §516.5 Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 58, Section 28B Massachusetts General Laws, Chapter 58, Section 28A

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: MEDICARE TAX

DATE ISSUED: 1/14/00

POLICY #: 3-3

PAGE(S): 1

POLICY

Social Security

Employees of the Commonwealth are not subject to Social Security tax in accordance with a Section 218 agreement entered into by the Commonwealth and the U.S. Secretary of Health and Human Services in 1952.

Medicare

Employees of the Commonwealth may be subject to the Medicare tax for hospital insurance coverage. The Consolidated Omnibus Budget and Reconciliation Act (COBRA), which became law in April 1986, provides that governmental employees, both state and contracted employees, hired after March 31, 1986, are entitled to participate in Medicare health insurance coverage and are required to contribute the Medicare portion of the FICA tax. The governmental employer is, in turn, required to match the amount of the employee's contribution.

Certain services are excluded from the Medicare tax. These exclusions pertain regardless of the date the employee was hired. The following employees are not subject to Medicare tax:

- Individuals hired to relieve unemployment;
- Patients or inmates working in hospitals, homes or other institutions;
- Services performed in a local college club, fraternity or sorority by students enrolled and attending classes at such school;
- Services performed in a local school, college or university by students enrolled and attending classes at such school;
- Services performed as a student nurse in the employ of a hospital or a nurse's training school by an individual who is enrolled and is regularly attending classes in a nurse's training school chartered or approved pursuant to state law;
- Services performed by a duly ordained, commissioned or licensed minister of a church in the exercise of his/her ministry;
- Temporary workers hired for fire, snow, flood or similar emergencies; and
- Election officials or workers receiving less than \$100 in a calendar year for such services.

Exemptions For Continuing Employment

(Otherwise known as "Break In Service")

If an employee is not covered by one of the Medicare exclusions listed above, it must be determined whether the exemption for continuing employment applies. This determination is made as follows:

An employee hired before April 1, 1986 by a Commonwealth employer, who transfers after March 31, 1986 to another Commonwealth employer, is exempt from the Medicare tax provided that there was no termination or break in service of the employee's employment relationship with the Commonwealth (IRS Revenue Ruling 86-88).

The question of whether an employment relationship has terminated is a question of fact that must be determined on the basis of all relevant facts and circumstances. Two examples of a transfer without a termination of the employee's employment relationship are:

- 1) Transfer from a Commonwealth employer to another Commonwealth employer, both of which use the same Employer Identification Number (EIN) for the purposes of withholding, paying and reporting the federal income taxes of employees.
- 2) Transfer from a Commonwealth employer to another Commonwealth employer, using different EIN's, both of which require the employee to contribute to the State Board of Retirement or the Alternative OBRA Retirement Fund and provide for the continued accrual of creditable service.

An employee does not qualify for the exemption if:

- the employee transfers from any other political subdivision employer (local municipal, county, authorities, federal or another state) to the employ of the Commonwealth after March 31, 1986.
- if the employee transfers from a Commonwealth employer to any other political subdivision employer (local, municipal, county, authorities, federal or another state) after March 31, 1986.

Only Commonwealth employees, hired before April 1, 1986, who transfer from one state position to another state position, without termination of the employment relationship with the Commonwealth, may continue to be exempted from Medicare tax deductions.

Medicare Tax:

- Is administered by the Internal Revenue Service;
- Is a mandatory deduction for Commonwealth employees hired after March 31, 1986; and
- Is deducted in every biweekly pay period.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Internal Revenue Service establishes/identifies the policy on Medicare Tax. The Office of the Comptroller, in accordance with federal guidelines, establishes/identifies and implements the policy for the Commonwealth in regards to which employees are exempt from Medicare Tax.

AUTHORITY

26 USC §3121 (FICA)
Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Consolidated Omnibus and Reconciliation Act of 1986 (COBRA), Section 13205
IRS Revenue Ruling 86-88

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: STATE WITHHOLDING TAX

DATE ISSUED: 1/14/00

POLICY #: 3-4

PAGE(S): 1

POLICY

The Department of Revenue requires employers to withhold state income tax from wages paid to their employees based on the withholding exemptions claimed on the employee's Form W-4 or Form M-4.

State income tax is to be withheld from the wages of Commonwealth employees who:

- Work in the Commonwealth; and
- Work outside of Massachusetts.

Commonwealth employees who work outside of Massachusetts are those employees paid by the Commonwealth but who work outside of the state and are therefore subject to that state's tax withholding requirements. All taxes will be deducted consistent with that state's tax law. The Office of the State Treasurer will be responsible for the payments of all tax withholdings.

Withholding Allowance Certificates (Forms W-4 and M-4)

Employees are required to submit, upon hire, a completed Form W-4 "Employee's Withholding Allowance Certificate" to their Department. This certificate provides the basis for determining the proper amount of tax to withhold from an employee's wages. Employees can also submit a Form M-4 "Massachusetts Employee's Withholding Allowance Certificate" to specify the withholding exemptions applicable for their state withholding tax. Employees are not required to submit a Form M-4 if they have already submitted a Form W-4, but they can choose to do so to ensure the most accurate withholding.

If an employee does not submit a completed Form W-4 or M-4, state income tax will be withheld at the single status rate, with no withholding exemptions.

Every Commonwealth payroll Department is required to keep Form W-4's and M-4's on file for their current employees for at least three years after the date the tax was due.

A Form W-4 or M-4 must be put into effect by the employee's payroll Department for the first payroll period ending after the form is submitted. A Form W-4 or M-4 remains in effect until the employee submits a new one.

If employees make changes to their withholding allowances, they must submit a new Form W-4 or M-4 to their payroll Department. This Form W-4 or M-4 must be put into effect by the payroll Department no later than the beginning of the first payroll period ending on or after the 30th day after the form is received by the payroll Department.

The Commonwealth is required to provide each employee with a yearly W-2 statement detailing the total amount of state withholding tax deducted from their wages.

Form W-4's can be downloaded from the IRS website:

http://ftp.fedworld.gov/pub/irs-pdf/fw4_00.pdf

Form M-4's can be downloaded from the DOR website:

http://www.dor.state.ma.us/forms/wage_rpt/pdfs/m_4.pdf

Claiming Exempt on Form W-4

Employees (including Non Resident Aliens) who claim an exemption from tax withholding on their Form W-4 must submit a new Form W-4 annually, attesting to their exempt status. Claims of exemption can be in effect for a maximum of one calendar year at which time the employee must re-file to claim Exempt status. If the employee does not submit a new Form W-4 for the new calendar year by February 15th of that year, they will have their tax status reset to the single status rate, with no withholding allowances.

Commonwealth Employees Who Work Outside of Massachusetts

In particular this applies to DOR employees who are assigned to work in other states. If a Department has an employee who works outside of MA, it needs to communicate with the State Treasurer's office to ensure compliance with other state withholding requirements.

State Withholding Tax:

- Is administered by the Department of Revenue;
- Is a mandatory deduction for Commonwealth employees
- Requires a Form W-4 or M-4; and
- Is deducted in every biweekly pay period.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

The Department of Revenue establishes/identifies the policy on State Withholding Tax. The Office of the Comptroller implements said policy for Commonwealth employees.

AUTHORITY

Department of Revenue "Guide to Withholding Taxes on Wages"
IRS Publication 15, "Circular E Employer's Tax Guide"
IRS Publication 15A, "Circular E Employer's Supplemental Tax Guide"
29 CFR §516.5
Massachusetts General Laws, Chapter 7A, Sections 3, 7, 8
Massachusetts General Laws, Chapter 58, Section 28B
Massachusetts General Laws, Chapters 62B and 62C

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE: RETIREMENT PROGRAMS****DATE ISSUED: 1/14/00****POLICY #: 3-5****PAGE(S): 1****POLICY****Retirement Plans**

The Commonwealth of Massachusetts requires that all employees, both state and contract, enroll in a qualified retirement plan. The State Board of Retirement administers the State Employees Retirement System. Membership in the system is mandatory for nearly all state employees who are regularly employed on a part-time (18.75 hours a week) or full-time basis. In addition to the State Employees Retirement System, the Board of Higher Education has an Optional Retirement Plan for its members in accordance with section 401(a) of the Internal Revenue Code. Contract employees and those who do not meet the membership criteria are required to enroll in the Alternate Retirement Plan.

State Employee's Retirement System

An employee's date of hire and rate of pay determine the percentage rate of the biweekly retirement deduction. For those employees hired on or after January 1, 1979 to the present, an additional 2% is deducted for retirement on the amount of the employee's salary that exceeds \$30,000.

Under Massachusetts state law, the first \$2,000.00 of an employee's retirement contribution is pre-tax and not subject to state withholding tax.

According to IRS Publication #575, the annual maximum amount that an employee can defer to a qualified retirement plan is \$10,000.00. If an employee is contributing to other compensation plans (i.e. deferred compensation) in addition to a retirement plan, all their deferral amounts must be totaled when determining whether the maximum contribution limit has been reached. Any contributions in excess of the \$10,000 limit may be taxable to the employee during the calendar year in which the contribution was made.

State Retirement Board Employee Contribution Rates:

Hired on or Before January 1, 1975	5%
Hired on or between January 1, 1975 - January 1, 1984	7%
Hired on or between January 1, 1984 - June 30, 1996	8%
Hired on or between July 1, 1997 - present	9%

Board of Higher Education Optional Retirement Plan

The Board of Higher Education Optional Retirement Plan is a defined contribution plan where contributions made by the employee and the Commonwealth are invested in custodial accounts or retirement annuity contracts offered by providers which have been approved by the Higher Education Coordinating Council.

The amount of annuity income received at retirement will depend on the amount contributed to the retirement annuity contracts, the investment experience of those funds, the employee's age at the time they begin receiving benefits, and the form of annuity payment that was chosen.

Alternate Retirement Plan (OBRA)

The IRS has issued regulations regarding retirement coverage for public employees (both state and contract) who are not members of a State Retirement Plan. The Omnibus Budget Reconciliation Act of 1990 (OBRA) regulation mandates that such public employees participate in an alternate retirement plan after July 1, 1991.

The definitions of types of employees required to contribute to the Alternate Retirement plan include employees who normally work 20 hours or less per week; employees who work on a full-time basis for less than 5 months in a year; and employees performing services for the employer pursuant to a contract of less than 2 years in duration.

The following employees are exempt from coverage, and therefore are not required to contribute to OBRA:

- Individuals hired through programs to relieve unemployment;
- Patients or inmates providing services in a hospital, home or institution;
- Individuals hired on a temporary basis in case of fire, storm, snow, earthquake, flood or other similar emergency;
- Election officials or election workers paid less than \$100 per calendar year;
- Employees of the Commonwealth who are members of the State Retirement System and also work part-time on contract;
- Employees of the Commonwealth who are over age 70, who are members of the State Retirement System and who have elected not to continue to make retirement contributions; and
- Persons who have retired from the Commonwealth and are receiving compensation from the Commonwealth for services performed after retirement;

In addition to the above-listed exceptions, prior exceptions for certain students employed in public schools, colleges and universities remain in effect. Departments should refer to the Office of the Comptroller MMARS Memo #159A and 159B, and the PERAC Memo #18/1991 as well as the OBRA Information Kit provided by the Deferred Compensation vendor for further guidance regarding compliance with the 1990 OBRA provisions.

Catch-Up Provisions for Alternate Retirement

For those employees close to normal retirement age, there are "catch-up" provisions for Alternate Retirement Plans. For the last three years before the employee reaches normal retirement age, the annual maximum deferral limit is increased to \$15,000 or the employee's limit for the current year plus the limit from previous years (minus the deferrals for those years), whichever amount is less.

Make-up Retirement

State employees may buy back any prior public service to the Commonwealth that was refunded or public service to the Commonwealth that was provided but which did not have retirement contributions withheld.

Retirement Programs:

- The State Employees Retirement System is administered by the State Board of Retirement, the Board of Higher Education Optional Retirement Plan is administered by the Board of Higher Education, and the Alternate Retirement Plan is administered by the Deferred Compensation Unit at the Office of the State Treasurer;
- Are offered to all Commonwealth employees;
- Are available through an employee's payroll office;
- Are deducted in every biweekly pay period; and
- Are deducted on a mandatory pre-tax basis.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The State Board of Retirement establishes/identifies and implements the policy concerning the State Employees Retirement System. The Board of Higher Education establishes/identifies and implements the policy concerning the Higher Education Optional Retirement Plan. The Office of the Comptroller and the Deferred Compensation Unit of the Office of the State Treasurer establish/identify and implement the Alternate Retirement Plan (OBRA).

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 15, Section 18A
Massachusetts General Laws, Chapter 29, Section 64
Massachusetts General Laws, Chapter 29, Section 64A
Massachusetts General Laws, Chapter 29, Section 64D
Massachusetts General Laws, Chapter 32
MMARS Memo #159A, 159B
PERAC Memo #18/1991
IRS Publication 575, "Pension and Annuity Income"
The Commonwealth of Massachusetts Higher Education Coordinating Council
Optional Retirement Program brochure dated January 1996
OBRA Information Kit issued by The Copeland Companies, 1998

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE: WAGE GARNISHMENTS****DATE ISSUED: 1/14/00****POLICY #: 3-6****PAGE(S): 1****POLICY**

Garnishments are mandatory deductions authorized by a court order, federal or state tax levy or other legal entity to be taken from an employee's after-tax wages according to the written instructions accompanying the garnishment order. All payments received by an employee for compensation are subject to garnishment. Only those garnishments that identify the Commonwealth as the employer and direct the Commonwealth to garnish the pay, and are authorized by a court order, federal law, or state law can be deducted through the payroll system. The allowable deductions are listed below.

The Commonwealth processes Garnishments in accordance with the following hierarchy:

1) IRS Tax Levies and Child Support Orders

IRS Tax Levies and Child Support Orders are garnishments of equal status based on the date of the garnishment order. Whichever order is received first ("first in time, first in right") is the order that is processed first.

IRS Levy - Internal Revenue Service (IRS) levies on property for payment of taxes pursuant to Internal Revenue Code 26 USC Section 6331.

DOR collected orders for child and spousal support pursuant to MGL Chapter 119A, Section 12, include:

- Temporary orders of child support pending custody actions (MGL c.119 §28);
- Orders for care and maintenance of children under void marriage (MGL c. 207);
- Divorce orders for care and maintenance of children and alimony (MGL c. 208);
- Orders for child and spousal support for married persons living apart (separated) (MGL c. 209);
- Orders for temporary child and spousal support for victims of domestic violence (MGL c. 209A);
- Orders for child support for children born out of wedlock (MGL c. 209C);
- Criminal court orders for child or spousal support upon abandonment (MGL c. 273 § 18A).

All child support order payments ordered by a Massachusetts court will be sent to DOR for issuance to payees.

- 2) **DOR Levy** - Department of Revenue (DOR) levies on property for payment of taxes pursuant to MGL Chapter 62C, Section 53.
- 3) **Spousal Support Orders**
Court orders for spousal support (alimony) when there is no child support involved pursuant to MGL Chapter 208, Section 36A, Chapter 246 and Chapter 209D.
- 4) **Student Loan Repayments**
Administrative wage garnishments issued by the federal government collected by "the state treasurer or other state official authorized to expend money on behalf of the Commonwealth" for nonpayment of student loans pursuant to MGL Chapter 29, Section 31. Garnishment orders for unpaid student loans are generally issued to be no more than 10% of the employee's disposable income although a greater percentage may be deducted with the written consent of the individual involved.
- 5) **DTA Overpayments**
DTA Overpayments are the recovery of overpayments made by the Department of Transitional Assistance under MGL Chapter 18, Section 30.
- 6) **DMA Reimbursements**
DMA Reimbursements are reimbursements of medical assistance for health services to children provided by the Division of Medical Assistance pursuant to MGL Chapter 118E, Section 23.
- 7) **Court Ordered Employer Wage Garnishments**
Court ordered employer wage garnishments are garnishment orders that direct the employer (departments of the Commonwealth) to garnish an employee's pay. The garnishment order must come from a legal entity and specifically identify the employer as the Commonwealth.

Disposable Earnings Subject to Garnishments

Disposable earnings are that part of an employee's earnings remaining after deductions required by law are taken. It is used to determine the amount of an employee's pay that is subject to garnishment. The maximum allowable garnishment differs according to the type of garnishment order. In all cases, however, the disposable earnings must exclude deductions required by law : federal taxes, state and local taxes, and retirement contributions.

IRS Tax Levies

For IRS tax levies, the amount remaining from net pay after any exempted amounts is sent to the IRS to satisfy the levy. The individual can claim amounts to be exempt based on tax filing status.

Child Support Orders

For Child Support orders, the maximum garnishment amount is between 50 and 65% of disposable earnings:

- If the employee is supporting a spouse or dependent child other than those for whom a garnishment order is served, the maximum garnishment amount is 50%.
- If the employee is not supporting a spouse or dependent child, the maximum garnishment amount is 60%.

If the employee is deemed to be in arrears for an order prior to the previous twelve-week period, the amounts above increase to 55% and 65% respectively. For those employees with multiple garnishment orders for child support, it is the Department's responsibility to withhold the maximum amount possible from the employee's wages. DOR Child Support Enforcement will be responsible for allocating the withheld amounts to the custodial parents.

DOR Tax Levies

For DOR Tax levies, the maximum garnishment amount is 25% of the employee's disposable income. The definition of disposable income for this type of garnishment is gross pay minus taxes, retirement and any child support payments.

Spousal Support Orders

Spousal support garnishment orders not involving children follow the same guidelines for disposable earnings as Child Support orders listed above. Spousal support orders are always superseded in priority by both Child Support orders and Tax Levies, whether federal or state.

Student Loan Repayments

Garnishment orders for unpaid student loans are generally issued to be no more than 10% of the disposable income after taxes and retirement are deducted. This falls within the federal requirements to garnish no more than 25% of an individual's disposable income.

DTA Overpayments and DMA Reimbursements

For the repayment of DTA overpayments and DMA reimbursements, the maximum garnishment amount is either 25% of the employee's disposable earnings (gross pay minus taxes and retirement), or the amount by which the disposable earnings exceeds 30 times the minimum hourly wage, whichever amount is less.

Court Ordered Employer Wage Garnishments

Court ordered employer garnishment orders follow the same guidelines for disposable earnings as Child Support orders. Court ordered employer orders are always superceded in priority by both Child Support orders and Tax Levies, whether federal or state.

Employee With Multiple Jobs

An employee who holds more than one job with the Commonwealth will receive separate wage payments for each job they hold. When a garnishment order is issued to an employee who holds multiple jobs, the employee must indicate which wage payment the garnishment will be deducted from. The wage payment selected must be able to satisfy the biweekly garnishment deduction.

Wage Garnishments:

- Are administered by the Office of the Comptroller;
- Are authorized by court order, federal/state tax levy or other legal entity;
- Are potentially deducted from all Commonwealth employees;
- Are submitted through an employee's payroll office;
- Require a Garnishment Data Input Form and where applicable, a Garnishment Payee Request Form;
- Are deducted in every biweekly pay period; and
- Are deducted on a mandatory post-tax basis.

Garnishment Data Input Forms and Garnishment Payee Request Forms can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements the policy on Wage Garnishments in accordance with applicable IRS/DOR tax laws, and other applicable garnishment laws.

AUTHORITY

26 USC §6331- IRS Tax Levy
15 CFR §1673 - Restrictions on Garnishment
20 CFR §1095a – Student Loan Repayment
Massachusetts General Laws, Chapter 7A, Sections 3, 7, 8 – State Accounting System
Massachusetts General Laws, Chapter 18, Section 30 – DTA Overpayments
Massachusetts General Laws, Chapter 29, Section 31- Salaries
Massachusetts General Laws, Chapter 62C, Section 53 – DOR Tax Levy
Massachusetts General Laws, Chapter 118E, Section 23 – DMA Reimbursements
Massachusetts General Laws, Chapter 119A, Section 12 – Child Support Order
Wage Garnishments
Massachusetts General Laws, Chapter 119, Section 28 – Payment of Support
Massachusetts General Laws, Chapter 207 – Marriage/Domestic Relations
Massachusetts General Laws, Chapter 208 - Divorce
Massachusetts General Laws, Chapter 209 – Married Persons
Massachusetts General Laws, Chapter 209A – Abuse Prevention
Massachusetts General Laws, Chapter 209C – Children Born Out of Wedlock
Massachusetts General Laws, Chapter 209D – Interstate Family Support Act
Massachusetts General Laws, Chapter 246 – Trustee Process
Massachusetts General Laws, Chapter 273, Section 18A – Support Obligations Under Prior Law

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** SALARY ADVANCES**DATE ISSUED:** 1/14/00**POLICY #:** 3-7**PAGE(S):** 1**POLICY**

Salary advances are wages to employees given at a Department's discretion for employee emergency situations. All Salary Advances are to be paid back in the next pay period. This payback is an automated function within the payroll system. Employees will receive a salary advance either by direct deposit or in the form of a check, depending on how they currently receive their biweekly wages.

The system dollar limit for a Salary Advance is \$750.00 per employee per payperiod. This represents 4/5ths of the average employee salary in the Commonwealth. Salary advances should be limited to 4/5ths of an employee's weekly wages to insure that the advanced amount has been earned by the time the employee receives it. In some cases this will be less than \$750.00 and in other cases it will be greater than \$750.00.

The Department's Chief Fiscal Officer does have the authority to exceed this amount if the employee has earned sufficient wages to cover the advance.

Salary Advances are managed at the discretion of each individual Department, subject to state finance law and guidelines established by the State Treasurer.

Salary Advances:

- Are administered by the Office of the State Treasurer;
- Are offered to all Commonwealth employees at the discretion of each Department;
- Are available through an employee's payroll office;
- Are deducted in the next sequential biweekly pay period after advance was given; and
- Are available on a voluntary post-tax basis.

All prior advances must be reimbursed before a new advance may be issued.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments, unless otherwise provided by law.

RESPONSIBLE PARTY

The State Treasurer's office establishes/identifies and implements the policy on Salary Advances.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 23
Massachusetts General Laws, Chapter 29, Section 24
Massachusetts General Laws, Chapter 29, Section 25
Massachusetts General Laws, Chapter 29, Section 31

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE: BASIC INSURANCE DEDUCTIONS****DATE ISSUED: 1/14/00****POLICY #: 3-8****PAGE(S): 1****POLICY**

The Commonwealth provides through the Group Insurance Commission (GIC), programs of group life, health, long-term disability insurance and dental/vision coverage for state employees. These insurance programs are voluntary and deductions are authorized by the employee. Employees who work at least half-time (18.75 hours or 20 hours weekly) are eligible for these programs. Employees are required to furnish GIC with all necessary information to enroll themselves or dependents under these programs.

Authorization for insurance deductions may be terminated by the employee as long as the employee gives at least sixty days notice in writing to his/her GIC Coordinator. An employee may terminate his/her health insurance coverage, but cancellation of Basic Life Insurance will automatically terminate health and any Optional Life Insurance as well.

Health Insurance

Health insurance benefits:

- Are administered by the Group Insurance Commission;
- Are offered to Commonwealth state employees who work at least half-time (18.75 hours or 20 hours weekly);
- Are available through an employee's human resources office;
- Are deducted in the first two biweekly pay periods of the month; and
- Are available on a voluntary pre-tax basis.

Basic Life Insurance

Basic Life insurance benefits:

- Are administered by the Group Insurance Commission;
- Are offered to Commonwealth state employees who work at least half-time (18.75 hours or 20 hours weekly);
- Are available through an employee's human resources office;
- Are deducted in the second biweekly pay period of the month; and
- Are available on a voluntary pre-tax basis.

Basic Life Insurance is a term life insurance policy that pays the beneficiary in the event of the employee's death. Basic Life Insurance also provides for payment to the policy holder in the event of accidental dismemberment, paralysis or a terminal illness if life expectancy is 12 months or less.

Optional Life Insurance

Optional Life insurance benefits:

- Are administered by the Group Insurance Commission;
- Are offered to Commonwealth state employees who work at least half-time (18.75 hours or 20 hours weekly) and who are enrolled for Basic Life Insurance or Basic Life and health insurance;
- Are available through an employee's human resources office;
- Are deducted in the second biweekly pay period of the month; and
- Are available on a voluntary post-tax basis.

Optional Life Insurance is a term life insurance policy that pays the beneficiary in the event of the employee's death. Optional Life Insurance also provides for payment to the policy holder in the event of accidental dismemberment, paralysis or a terminal illness if life expectancy is 12 months or less.

Dental/Vision Benefits

Dental and Vision benefits for executive and legislative branch Departments:

- Are administered by the Group Insurance Commission;
- Are offered to non union Commonwealth state employees who work at least half-time (18.75 hours or 20 hours weekly);
- Are available through an employee's human resources office;
- Are deducted in the second biweekly pay period of the month; and
- Are available on a voluntary post-tax basis.

Dental and Vision benefits for the Judicial branch Departments:

- Are administered by the human resources Department of Administration Office of the Trial Court (AOTC);
- Are offered to employees of the Judicial Branch;
- Are available through an employee's human resources office;
- Are deducted in the second biweekly pay period of the month; and
- Are available on a voluntary post-tax basis.

Long-Term Disability

Long-term disability benefits:

- Are administered by the Group Insurance Commission;
- Are offered to Commonwealth state employees who work at least half-time (18.75 hours or 20 hours weekly);
- Are available through an employee's human resources office;
- Are deducted in the first biweekly pay period of the month; and
- Are available on a voluntary post-tax basis.

The Long-Term Disability plan provides tax-free income of 50% of an employee's base salary, when the covered employee is unable to work because of disability. Premium rates are based on an employee's salary and age.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	<p>The Group Insurance Commission and the human resources office of the Administration Office of the Trial Court jointly establish/identify and implement the policies on Basic Insurance programs.</p> <p>The Office of the Comptroller implements the deduction policy for Basic Insurance Deductions.</p>
AUTHORITY	<p>Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8</p> <p>Massachusetts General Laws, Chapter 32A, Sections 4,5,6,7,8 and 10C, et.seq.</p>

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** SPECIAL INSURANCE DEDUCTIONS**DATE ISSUED:** 1/14/00**POLICY #:** 3-9**PAGE(S):** 1**POLICY**

Special Insurance deductions are voluntary post-tax payroll deductions that an employee can authorize to be taken from their net pay and have it paid directly to an authorized vendor. Authorized vendors must be union endorsed and are listed on the Vendor Payment Table, which is managed by the Office of the Comptroller. The most common types of special insurance include short and long-term disability, supplemental life insurance, homeowners insurance and group car insurance.

Special Insurance Deductions:

- Are administered by Departments;
- Are authorized by the Office of the Comptroller;
- Are offered to Commonwealth state employees in related bargaining units;
- Are authorized by statute and endorsed by the employee union;
- Require a Payroll Deduction Authorization (PDA) form;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary post-tax basis.

To add a new special insurance vendor to the Vendor Payment Table, the union that is endorsing the insurance vendor must submit its letter of endorsement, identifying which programs the union is endorsing, to the Office of the Comptroller for approval. If the vendor is approved, the Office of the Comptroller will add the vendor to the Vendor File.

Employees can then fill out a "Payroll Deduction Authorization (PDA) For Insurance Or Other Employee Deductions" form and submit it to their payroll unit to authorize the deduction. The Department's payroll unit will enter the deduction in the payroll system for that employee, and file the PDA form in the employee's file.

Authorization for special insurance deductions may be terminated by the employee as long as the employee gives at least sixty days notice in writing, using the "Discontinuation Of Authorization For Payroll Deduction For Insurance Or Other Employee Deductions" form to their payroll unit.

Payroll Deduction Authorization Forms and Discontinuation of Payroll Deduction Authorization Forms can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Special Insurance Deductions.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 180, Section 17J

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: UNION DUES

DATE ISSUED: 1/14/00

POLICY #: 3-10

PAGE(S): 1

POLICY

Employees in bargaining unit positions are represented by unions that negotiate collective bargaining agreements with the Commonwealth on behalf of their members. Employees who are covered by a collective bargaining agreement must pay either Union Dues or Agency Service Fees to the union. Employees may authorize a post-tax deduction from the employee's pay on a biweekly basis.

If the employee elects not to join the union, he/she must pay an Agency Service Fee to the union.

The employee may terminate authorization for union dues deductions as long as the employee gives at least sixty (60) days notice in writing to his/her human resources office and filing a copy with the treasurer of the union.

Union Dues:

- Are administered by the appropriate human resource authorities for unions within its jurisdiction;
- Are required for Commonwealth state employees appointed to a bargaining unit position;
- Are not applicable to employees assigned to positions designated as "confidential";
- Are identified through the appropriate bargaining unit;
- May be deducted in every biweekly pay period; and
- Are available on a post-tax basis.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

Appropriate human resource authorities establish/identify and implement the policy on Union Dues.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 150E, Section 12
Massachusetts General Laws, Chapter 180, Section 17A
Massachusetts General Laws, Chapter 180, Section 17G

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** AGENCY SERVICE FEES**DATE ISSUED:** 1/14/00**POLICY #:** 3-11**PAGE(S):** 1**POLICY**

State employees, occupying a bargaining unit position, who elect not to join the union, are required, as a condition of employment, to pay Agency Service Fees. Agency Service Fees are paid to the employee's bargaining unit in lieu of regular union dues. Employees may authorize this post-tax deduction be taken from the employee's pay on a biweekly basis.

The employee may terminate authorization for agency service fee deductions as long as the employee gives at least sixty (60) days notice in writing to his/her human resources office and files a copy with the treasurer of the union.

Agency Service Fees:

- Are administered by the appropriate human resource authority for unions within its jurisdiction;
- Are required for Commonwealth state employees appointed to a bargaining unit position who do not pay union dues;
- Are not applicable to employees assigned to positions designated as "confidential";
- Are identified through the appropriate bargaining unit;
- May be deducted in every biweekly pay period; and
- Are available on a post-tax basis.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

Appropriate human resource authorities establish/identify and implement the policy on Agency Service Fees.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 150E, Section 12
Massachusetts General Laws, Chapter 180, Section 17G

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: **DEPENDENT CARE ASSISTANCE PROGRAM (DCAP)**

DATE ISSUED: **1/14/00**

POLICY #: **3-12**

PAGE(S): **1**

POLICY

Dependent Care Assistance Program

The Dependent Care Assistance Program (DCAP) is a voluntary program which allows employees to set aside a portion of their pre-tax income specifically for this purpose. Under the Federal Tax Law, employees may set aside up to \$5,000 in pre-tax dollars for child or elder care (\$2,500 in the case of a separate return by a married individual).

Employees are eligible for this program if they:

- Are employed by the Commonwealth of Massachusetts;
- Have child(ren) younger than 13;
- Have child(ren) in a licensed day care center or family day care home or another form of child care that meets the Federal Tax Code requirements;
- Or
- Care for an adult or child who is mentally or physically incapacitated whom they claim as an exemption for tax reporting and who lives in their house at least 8 hours a day.

Upon receipt of documentation of dependent care expenses from the employee, a reimbursement check is issued bi-monthly from the employee's DCAP account.

DCAP Fee

An administration fee is charged to employees participating in the DCAP program. This fee is deducted from the employee's wages in the second biweekly pay period of the month.

DCAP Deductions:

- Are administered by the Human Resources Division (HRD);
- Are offered to all Commonwealth employees;
- Are available through an employee's human resources office;
- Require a DCAP Election Form;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary pre-tax basis.

DCAP Forms can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Human Resources Division establishes/identifies and implements the policy on the Dependent Care Assistance Program.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 26 USC §129 Dependent Care Assistance Programs Flynn Employee Benefits Memo "Enrollment For the Dependent Care Assistance Program Plan Year 1998"

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: TAX SHELTER ANNUITY PLANS

DATE ISSUED: 1/14/00

POLICY #: 3-13

PAGE(S): 1

POLICY**Tax Shelter Annuity (TSA) Plans**

Tax Shelter Annuity Plans or TSA's, as they are commonly referred to, are tax-deferred retirement plans available to employees of state colleges, universities, and other qualified individuals employed in an educational capacity. Employees can defer a portion of their before tax salary into a TSA plan up to certain limits.

The IRS limits the amount of tax-deferred contribution each year. Under the general limit, the annual maximum amount that an employee can defer ranges from 10% to 15% of their annual compensation, or \$10,000, whichever amount is less. The calculation of the general limit is based on factors such as length of service, participation in other plans (including the State Retirement System and Deferred Compensation) as well as plans outside the college or university. Therefore, each employee's maximum limit can be different from year to year. It is the employee's responsibility to make certain that all of their tax-deferred retirement contributions do not exceed the IRS's limits.

If an employee participates in both a TSA plan and a Deferred Compensation Plan, the annual combined maximum limit amount is \$8,000.

The IRS provides a special exception to the \$10,000 limit for employees with more than 15 years of service with the college or university. This special exception, which is only available to employees whose contributions are "capped" at \$10,000, may allow an employee to contribute up to \$13,000 annually.

Employees who are eligible for TSA's can obtain more detailed information about the plans offered by visiting the University of Massachusetts Treasurer's Office website on the internet: <http://www.umassp.edu/treasurer/index.html>.

TSA Deductions:

- Are administered by the Office of the State Treasurer;
- Are offered to all employees of state colleges, universities, and other qualified individuals employed in an educational capacity;
- Are available through a designated provider;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary pre-tax basis.

In addition to department and vendor TSA forms, employees must complete a Payroll Deduction Authorization (PDA) form. This form can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/PDAform.pdf>

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the State Treasurer establishes/identifies and implements the policy on Tax Shelter Annuity Plans.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 IRS Publication 571, "Tax-sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations" IRC § 403 (b) 26 USC § 403 Taxation of Employee Annuities

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: DEFERRED COMPENSATION

DATE ISSUED: 1/14/00

POLICY #: 3-14

PAGE(S): 1

POLICY

Deferred Compensation Plans

The Commonwealth has made available to its employees the option of deferring a portion of their before tax salary into a qualified custodial account, up to certain limits, for the exclusive benefit of the employees and their beneficiaries. The annual maximum amount that an employee can defer is either, one-quarter of their annual compensation, or \$8,000, whichever amount is less. The amounts held in the deferred compensation plan (both deferrals and earnings) on the employee's behalf are not included in the employee's income or subject to federal and state income tax withholding, although they are subject to Medicare taxes.

Deferred Compensation Deductions:

- Are administered by the Office of the State Treasurer;
- Are offered to all Commonwealth employees;
- Are available through a designated provider;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary pre-tax basis.

Catch-up Provisions

For those employees close to normal retirement age, there are "catch-up" provisions for Deferred Compensation Plans. For the last three years before the employee reaches normal retirement age, the annual maximum deferral limit is increased to \$15,000 or the employee's limit for the current year plus the limit from previous years (minus the deferrals for those years), whichever amount is less.

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The Office of the State Treasurer establishes/identifies and implements the policy on Deferred Compensation.

AUTHORITY IRS Publication 571, "Tax-sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations"
Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 64B
26 USC § 457 Deferred Compensation Plans of State and Local Governments and Tax Exempt Organizations

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** SAVINGS BONDS**DATE ISSUED:** 1/14/00**POLICY #:** 3-15**PAGE(S):** 1**POLICY**

The Savings Bond Plan is a voluntary plan that allows employees to authorize a post-tax deduction from their net pay to purchase U.S. Savings Bonds. Employees can purchase multiple bonds from a single deduction in the payroll system.

Savings Bond Deductions:

- Are administered by the Office of the State Treasurer;
- Are offered to all Commonwealth employees;
- Are available through an employee's payroll office;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary post-tax basis.

Types of Savings Bonds Offered

Currently, Series EE appreciation type bonds with face values of \$100, \$200, \$500 and \$1000 are available for purchase through the payroll system.

Beneficiary Designations

Employees can designate up to two beneficiaries or co-owners for each bond. The bonds that are purchased will be distributed to the owners in the sequence specified by the employee.

Missing Bonds

If an employee is missing a bond, they must contact his/her payroll Department to resolve the issue. There are specific forms to claim a missing bond, available from the Federal Reserve. It is the employee's responsibility to fill out and submit those forms to the Federal Reserve to process a missing bond claim.

Refunds

The State Treasurer's office (TRE) is responsible for issuing Savings Bond refunds to employees. Refunds are given when employees discontinue their participation in the Savings Bond program and an accrual balance remains that needs to be refunded. TRE issues a refund check and mails the check directly to the employee's home address. Requests for savings bond refunds must be submitted in writing to the State Treasurer's Office.

Savings Bond Forms can be found on the US Treasury website:

<ftp://208.131.225.4/mar2152e.pdf>

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the State Treasurer establishes/identifies and implements the policy on Savings Bonds.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 154, Section 8

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS

POLICY TITLE: COMMONWEALTH OF MASSACHUSETTS EMPLOYEES CHARITABLE CAMPAIGN (COMECC)

DATE ISSUED: 1/14/00

POLICY #: 3-16

PAGE(S): 1

POLICY The Commonwealth of Massachusetts Employees Charitable Campaign (COMECC), the only authorized annual payroll deduction workplace solicitation, affords Commonwealth employees the opportunity to support hundreds of private, nonprofit health, human services and environmental organizations which provide services to millions of people in Massachusetts and around the world.

Employees may make a pledge of any amount and have it deducted from their pay as a voluntary post-tax deduction. Employees have the choice of designating all or part of their gift to a particular agency or federation.

Authorization for COMECC deductions may be terminated by the employee in the next available payroll cycle upon sending written notification to his/her payroll unit.

COMECC Deductions:

- Are administered by the Executive Office of Administration and Finance;
- Are available through an employee's payroll office;
- Are offered to all Commonwealth employees;
- Require a COMECC Deduction Form;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary post-tax basis.

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The Executive Office for Administration and Finance establishes/identifies and implements the policy for COMECC deductions.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 180, Section 17B

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** MBTA PASSES**DATE ISSUED:** 1/14/00**POLICY #:** 3-17**PAGE(S):** 1

POLICY The Massachusetts Bay Transportation Authority (MBTA) program allows employees to purchase T passes through a post-tax payroll deduction. Passes that are currently available include:

- Local Bus
- Subway
- Combo
- ComboPLUS
- Zone 1 – Zone 9
- Water Shuttle

MBTA Coordinators

Departments who utilize the MBTA pass deduction are required to assign an MBTA Coordinator for each Department's location. This Coordinator will be responsible for receiving and dispersing MBTA passes to their employees.

MBTA Deductions:

- Are administered jointly by the Office of the Comptroller and each Department;
- Are offered to all Commonwealth employees;
- Are available through an employee's payroll office;
- Are deducted in the first biweekly pay period of the month; and
- Are available on a voluntary post-tax basis.

MBTA Deduction Forms can be found on the Comptroller's website:

<http://osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The Office of the Comptroller coordinates the pass program with the MBTA and implements the deduction policy for MBTA Passes.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 180, Section 17H

CHAPTER 3 MANDATORY AND VOLUNTARY DEDUCTIONS**POLICY TITLE:** COMMONWEALTH FEE DEDUCTIONS**DATE ISSUED:** 1/14/00
POLICY #: 3-18
PAGE(S): 1

POLICY Commonwealth fee deductions are voluntary recurring post-tax deductions for employees for legislatively authorized services or items that are made available by a Department to employees. Departments are required to have legislative authorization to charge a fee for the particular item or service made available to employees. Payroll deductions ensure that the Commonwealth recovers the value of the items or services provided to employees.

Commonwealth Fee Deductions:

- Are centrally established by the Office of the Comptroller based upon a Department's submission of legislative authorization to charge a fee for a service or other item made available to employees;
- Must be legislatively authorized and may not represent an amount that is less than the fair market value of the service or item made available to an employee;
- Require a Payroll Deduction Authorization (PDA) form;
- Are deducted in every biweekly pay period; and
- Are available on a voluntary post-tax basis.

An example of a Commonwealth fee deduction is housing charges under 801 CMR 4.03 for employees living on Commonwealth space.

Payroll Deduction Authorization Forms can be found on the Comptrollers' website:

<http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY This policy applies to all Commonwealth branches and Departments, unless otherwise provided by law.

RESPONSIBLE PARTY The Executive Office for Administration and Finance establishes/identifies and implements the policy for Commonwealth Fee Deductions.

AUTHORITY 801 CMR 4.03
Massachusetts General Law, Chapter 7, Section 3B

CHAPTER 4 TYPES OF PAYMENTS**POLICY TITLE:** **EMPLOYEE REIMBURSEMENTS****DATE ISSUED:** **1/14/00****POLICY #:** **4-1****PAGE(S):** **1****POLICY**

Employee Reimbursements are reimbursements to state employees for certain approved expenses paid out of pocket by the employee. Examples of approved expenses include out of state travel and tuition reimbursement. Please refer to the Expenditure Classification Handbook for further definitions of approved employee reimbursements.

Direct Deposit Functionality

Reimbursements to employees are processed through the MMARS accounting system via a Payment Voucher (PV) transaction that is entered by the employee's Department. These reimbursement payments will accommodate direct deposit functionality. Direct deposit reimbursement payments will be sent to the employee's "excess" direct deposit account. If an employee currently receives their regular salary payment by direct deposit, their reimbursement payment will also be by direct deposit. If an employee currently receives their regular salary payment by check, their reimbursement payment will be by check mailed to their home address.

Form W-2

Employee reimbursement payments that are tax reportable will be added to each employee's year to date totals on their Form W-2, eliminating the need for two separate tax documents at the end of the calendar year. The Expenditure Classification Handbook indicates which reimbursements are tax reportable.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements the policy on Employee Reimbursements.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 – State Accounting
Massachusetts General Laws, Chapter 7, Section 27A – Travel Related Services
Massachusetts General Laws, Chapter 7, Section 28 – Rules and Regulations of
The Human Resources Division
Massachusetts General Laws, Chapter 30, Section 25 – Expenses of State Officers
Massachusetts General Laws, Chapter 30, Section 25B – Outside Travel Expenses
Massachusetts General Laws, Chapter 30, Section 45 – Classification of State
Offices and Positions
Massachusetts General Laws, Chapter 30, Section 46H – Vacation, Sick, Personal
Leave Benefits

CHAPTER 4 TYPES OF PAYMENTS**POLICY TITLE: RETROACTIVE PAYMENTS****DATE ISSUED: 1/14/00****POLICY #: 4-2****PAGE(S): 1****POLICY**

There are generally two types of retroactive payments:

- Those that are the result of a collective bargaining agreement and supported by a reserve account; and
- Those that are the result of other retroactive compensation for an individual or groups of individuals.

Collective Bargaining Agreement Payments

For those retroactive payments that are the result of a collective bargaining agreement and supported by a reserve account, the Secretary of Administration and Finance usually transfers reserve funds to Department accounts based on recommendations from the Fiscal Affairs Division (FAD). In the absence of reserve funds, Departments must use other legally available funds authorized to make payments for the fiscal year in which services were rendered. Reserve transfers usually cover the exact amount of any required payments for services rendered in fiscal years prior to the one in which an agreement is implemented.

For payments related to employee services rendered in the fiscal year in which an agreement is implemented (i.e., the "current" fiscal year), Departments usually are expected to use their own funds to the extent possible, and reserve transfers are limited to covering payments for which Department funds are determined to be insufficient. Specific written guidance regarding reserve transfers for Executive Department agreements usually is issued by the Human Resources Division at the time an agreement is implemented. Specific guidance regarding reserve transfers for other agreements is available from FAD at the time an agreement is implemented.

Other Retroactive Compensation

There are also retroactive payments made to individuals or groups of individuals based on legal decisions that are usually the result of litigation, arbitration, mediation or internal Department determination. All these payments are subject to appropriation. This compensation may be paid from one of three funding sources:

1. Current Department appropriated funds for the purpose of the retroactive payments or for payroll expenditures
2. Supplemental appropriated funds for the purpose of the retroactive payments or for payroll expenditures
3. Settlement and judgment account

Departments can seek assistance from the Comptrollers office as to which funding source would be appropriate for their type of retroactive compensation.

Examples of Other Retroactive Compensation

Listed below are some examples of retroactive payments that are based on a legal decision.

- Judgements issued to resolve court cases, which have retroactive dates to a previous fiscal year (eg. employee was returned to employment after winning a civil suit on discrimination).
- Arbitrator's decisions awarding back pay for a previous fiscal year.
- Decisions issued under a collective bargaining grievance procedure that would award back pay or reinstatement going back to a previous fiscal year
- Decisions issued by the Civil Service Commission, the Human Resources Division, or an agency granting a classification appeal under Chapter 30, Section 49, MGL; these usually have retroactive dates going back to the date the appeal was originally filed.
- Decisions on Worker's Compensation cases that are retroactive to a previous fiscal year.

Former employees who need to receive a retroactive payment will be rehired and then terminated using Action Reason Codes in HR/CMS.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

Any entity that has jurisdiction over the collective bargaining and/or classification process establishes/identifies and implements the policy on Retroactive Payments.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
815 CMR 5.00

CHAPTER 4 TYPES OF PAYMENTS

POLICY TITLE: **ACCOUNTS PAYABLE**

DATE ISSUED: **1/14/00**

POLICY #: **4-3**

PAGE(S): **1**

POLICY There are instances where Departments need to process prior fiscal year payroll in the current fiscal year accounts payable period. To accommodate that need, Accounts Payable payroll is available after the close of a fiscal year. There are two types of Accounts Payable payroll: state employee accounts payable and contract employee accounts payable.

State Employee Accounts Payable Payroll

This is payroll charged against a Department's MMARS account in the previous fiscal year for services rendered prior to the end of that fiscal year (June 30th) for state employees. The Accounts Payable payroll occurs in the current fiscal year during the accounts payable period. A Payroll Hold (PH) encumbrance transaction must be entered on MMARS prior to June 30th of each fiscal year to encumber funds for Accounts Payable payroll. Departments are responsible to insure that the money encumbered in their Payroll Holds will cover the amount they have posted for Accounts Payable payrolls.

Contract Employee Accounts Payable Payroll

This payroll is charged against a Department's MMARS account in the previous fiscal year for services rendered prior to the end of that fiscal year (June 30th) for contract employees. The accounts payable payroll for contract employees will run during the accounts payable period in the regular biweekly payroll cycle. Departments are responsible for insuring that the prior fiscal position is used and that funds are made available in the prior fiscal year's contract in order for the accounts payable payment to process.

The Accounts Payable period runs through August 31st unless extended by the Fiscal Affairs Division (FAD) or by statute.

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The Office at the Comptroller establishes/identifies and implements the policy on Accounts Payable.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Section 13

CHAPTER 4	TYPES OF PAYMENTS
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POLICY TITLE: PRIOR YEAR PAYROLL DEFICIENCY PAYMENTS

DATE ISSUED: 1/14/00

POLICY #: 4-4

PAGE(S): 1

POLICY

Prior year deficiency payments are legitimate expenses that were incurred in a prior fiscal year but the Department either had insufficient funds to cover the entire expense, or the expense was recognized after the end of the accounts payable period.

Deficiency payroll is a Department's payroll that is to be paid out of the Comptroller's prior year account in the current or prior fiscal year. Department's current fiscal year account is charged back by the Office of the Comptroller in order to support the expenditure.

Examples of Prior Year Deficiency Payments

Listed below are examples of prior year payroll deficiency payments that are usually errors (failure to act) on the part of the agency, discovered at a later date through an audit or as raised by an employee or supervisor:

- Neglected to award a step increase based on employee's anniversary date;
- Calculated a promotion incorrectly;
- Used the wrong salary chart to calculate an annual pay increase;
- Didn't pay overtime when it was earned;
- Didn't pay vacation cashout to a terminated employee.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

The Office at the Comptroller establishes/identifies and implements the policy on Prior Year Deficiency Payments

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29, Sections 26 and 27
MMARS Memo #279 "Procedures for Payment of Prior Year Deficiencies"

CHAPTER 4 TYPES OF PAYMENTS

POLICY TITLE: **INDUSTRIAL ACCIDENTS**

DATE ISSUED: **1/14/00**

POLICY #: **4-5**

PAGE(S): **1**

POLICY

Industrial Accidents are injuries that arise out of, and in the course of, employment which rendered the employee physically or mentally unable to perform his/her work. The statute in effect at the time of the injury governs the amount of payment to an injured employee. Please refer to the Workers' Compensation Law; M.G.L. Chapter 152, for more information.

The sections of the Industrial Accident policy that relate to payroll are described below:

Definitions of Industrial Accident Payments

Full Salary or Wages (salary) is the salary paid to an employee based on the position held at the time of the accident, exclusive of overtime and concurrent employment. For employees subject to a collective bargaining agreement, that agreement would control the definition of "full salary or wages". An employee's full salary or wages may increase over time (e.g. merit pay increases, COLA and step increases).

Average Weekly Wages are the earnings of the injured employee during the period of twelve calendar months immediately preceding the date of injury, divided by fifty-two, inclusive of overtime and other work related compensation.

Payment of salary utilizing sick leave credit is payment to an employee during the determination period which charges the entire salary to the employee's sick leave credits.

Payment of salary utilizing sick leave to augment industrial accident compensation is payment of salary, part of which is industrial accident compensation and the other part of which is charged to the employee's sick leave credit, to an employee who has been injured. Any sick time an employee accrues subsequent to his/her industrial injury cannot be used to supplement the workers' compensation benefits. The value of sick leave may increase over time as an employee's salary changes. The sum of these two payments may not exceed the amount of the employee's full salary or wages. This is applicable to employees who are either totally or partially disabled.

Overpayments are payments of salary utilizing sick leave credit which, when added to the weekly workers' compensation benefits, result in a payment greater than the employee's weekly salary during the determination period. This should not occur as the first and second workers' compensation payments are sent directly to the Department for reconciliation of sick time benefits.

Determination Period

The typical determination period is approximately two weeks in duration. During this period, an employee may use available sick or vacation leave credits to be paid the full amount of his/her weekly salary from the day of injury until his/her return to work or until the case has been settled by the Department of Industrial Accident.

Any absence resulting from such injury that is in excess of available sick leave or vacation leave shall be deemed absence without pay.

The above policy is contingent upon specific collective bargaining agreements.

Sick Leave Buy Back Policy

An employee is entitled to workers' compensation benefits upon approval of the Human Resources Division, Workers' Compensation Section. An overpayment results when the sum of the payment of salary utilizing sick leave credit and the workers' compensation payment exceed the employee's salary during the determination period. The amount of the overpayment is the difference between the two.

The following policy relates to employees who utilize sick leave during the determination period. The accurate calculation and reporting of the employee's wages during the determination period may require adjustment in three areas:

- 1) Refund of any payments to which the employee is not entitled. If, during the determination period, the total compensation to which the employee is entitled equals or exceeds the sum of the weekly workers' compensation benefits and the actual payments are made to the employee, the employee is entitled to the entire disability check and the policies in 2) and 3) do not apply.

If the sum of the weekly workers' compensation benefits and actual payments received during the determination period exceed the total compensation to which the employee is entitled, the difference (minus an adjustment for retirement contribution), must be refunded to the Commonwealth. Weekly workers' compensation benefits are not subject to retirement contributions. In instances when the amount that the employee has been paid by his or her employer, along with the amount paid by Workers' Compensation, exceeds the amount statutorily allowed, reimbursement for this excess must be made by the Department from the initial check issued by HRD Workers' Compensation Unit.

- 2) Conversion of payments made during the determination period. The amount of the overpayment to the employee during the determination period must be converted from taxable earnings to non-taxable earnings. Retirement deductions withheld from payment of salary using sick leave credit must be reimbursed to the employee. The employee's W-2 earnings record must be adjusted to reflect the decrease in taxable income based on the amount of overpayment, which was subsequently refunded to the Commonwealth. It must also be adjusted to reflect the decrease in retirement contributions, which were subsequently refunded to the employee.
- 3) Restore employee's sick leave balance. Department must adjust the employee's sick leave balance by the number of days equivalent to the gross funds which the employee is refunding to the Commonwealth.

The above policy is contingent upon specific collective bargaining agreements.

Post Determination Period Policy

During the post determination period, an employee's compensation may exceed 100% of his/her regular salary according to Chapter 152, Section 69 of the Massachusetts General Laws. This compensation may include the workers' compensation benefit and any appropriately used vacation leave or overtime except as otherwise provided in a collective bargaining agreement.

An employee who, while in the performance of duty, receives bodily injuries resulting from the acts of violence of patients or prisoners in his/her custody, may receive the difference between the amount of his/her regular salary and the amount of weekly workers' compensation benefit without such absence being charged against available sick leave credits. All employees are not eligible for violence pay unless it is in their bargaining agreements.

Effective January 24, 1991, any period during which an employee is receiving weekly benefits for total incapacity under Chapter 152 shall not be counted in computing such employee's sick leave for severance pay purposes. An employee may not use sick leave accrued during the time of incapacity, either total or partial. (Please note that the Massachusetts Appeals Court has ruled that an employee does not continue to accrue vacation or sick leave during periods of total disability.)

The above policy is contingent upon specific collective bargaining agreements.

State Board of Retirement Impact

Persons receiving workers' compensation benefits following an injury retain their status as members in service in the retirement system. They receive creditable service for this time and cannot withdraw their accumulated total deductions from the retirement system.

Workers' compensation benefits and violence pay are not considered to be regular compensation for determining the amount of a member's retirement allowance, but the receipt of sick leave payments that make up the difference between the employee's regular salary and the workers' compensation benefits that he or she is receiving is considered to be regular compensation.

The State Board of Retirement is responsible for granting creditable service and for determining what an employee's regular compensation is for retirement purposes. Inquiries should be directed to the Board.

Sick Leave and Vacation Credit Accruals Policy

Earned leave will accrue in accordance with the appropriate collective bargaining contract provisions or other appropriate human resources policies and procedures.

If a holiday falls within the period for which an employee who is on leave of absence due to industrial accident is being charged sick leave, no charge should be made against available sick leave credits for the day on which the holiday falls.

If a holiday falls within the period for which an employee who is on leave of absence due to industrial accident is being charged vacation leave, no charge should be made against available vacation leave credits for the day on which the holiday falls.

The above policy is contingent upon specific collective bargaining agreements.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Human Resources Division establishes/identifies and implements the policy on Industrial Accidents.
AUTHORITY	Massachusetts General Laws, Chapter 152, Worker's Compensation Law Massachusetts General Laws, Chapter 30, Section 58 Human Resources Division "Rules Governing Paid Leave and Other Benefits" handbook as authorized by Massachusetts General Laws, Chapter 7, Section 28.

CHAPTER 5**PAYROLL APPROVAL****POLICY TITLE:****PAYROLL EXPENDITURE APPROVAL****DATE ISSUED:****1/14/00****POLICY #:****5-1****PAGE(S):****1****POLICY**

The Commonwealth is required to maintain time and attendance records for each employee. Reporting time that employees work during a workweek is essential for ensuring an accurate payroll. Employees are required to keep track of the number of hours they work during each workday. This information can be tracked in a number of ways, the most common being through timesheets. Please refer to the Time and Attendance Policy issued by the appropriate human resource authority for more guidance on this issue.

Attendance Records

Attendance records record variations in the actual number of hours an employee has worked in a given pay period. Any changes to an employee's regular work schedule are identified as attendance exceptions. Attendance exceptions are used to document overtime, sick days, vacation days, personal days, or any other exception to regular hourly attendance. Reporting attendance exceptions is necessary in order for the payroll system to properly compensate employees and keep track of their accumulated balances of sick time, vacation time, personal days and compensatory time.

Payroll Exception Records

Payroll exception records record variations in the rate at which an employee's hours are compensated. An employee may work the same number of hours, but be entitled to a different pay amount. These are recorded as payroll exceptions. Some examples of payroll exceptions include shift differential, area differential and roll call pay. These exceptions must be recorded in the payroll system so that the employee receives the pay amount adjustment that is appropriate for that pay period.

Approving Payroll Expenditures

Once an employee's time is recorded, his/her manager must confirm that services have been delivered in accordance with this record. Time and attendance can then be recorded in the payroll system. A signatory authority or authorities certify the entire payroll based on confirmation of managers. This approval should include the following statement or can be done on the "Payroll Expenditure Approval" form:

"This payroll has been processed in accordance with the Commonwealth's Payroll Expenditure Policy, State Finance Law, and this department's Internal Control Plan. The amount listed has been certified to the Comptroller through the payroll system for payment. This certifies that time and attendance for each employee is on file in this department and approved by the appropriate manager to support amounts paid. This approval and supporting details will remain on file in this department for three years for review by the Office of the Comptroller or other auditing entity."

Both levels of approval should be done in accordance with the Department's internal control plan.

Department signatory authorities are so designated by the Department head and are on file with the Office of the Comptroller.

Departments are required to keep copies of employee's recorded time in house for a period of three years. All payroll records are kept centrally on ViewDirect for a period of 7 years.

Payroll Expenditure Approval Forms can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements the policy on Payroll Expenditure Approval.

AUTHORITY

29 USC §211(c) Fair Labor Standards
Massachusetts General Law, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Law, Chapter 29, Section 20
Massachusetts General Law, Chapter 30, Section 38
Massachusetts General Law, Chapter 149, Section 27B and 52C

CHAPTER 6 PAYING THE EMPLOYEE

POLICY TITLE: **DIRECT DEPOSIT**

DATE ISSUED: **1/14/00**

POLICY #: **6-1**

PAGE(S): **1**

POLICY The Office of the State Treasurer supports two forms of payment for payroll: electronic funds transfer (EFT) and check, with EFT being the preferred method of payment.

EFT is:

- an electronic transmission sent from the “originating” bank under contract with the Office of the State Treasurer to the “receiving” bank of the employee being paid. EFT can be sent to checking, savings and passbook accounts.
- the preferred method of payment because of the convenience and cost effectiveness of this form of payment for both the Commonwealth and the employee.

HR/CMS allows an employee to designate up to 10 direct deposit accounts for their net pay distribution. The State Treasurer’s office will provide the authorization form for all accounts to which payments will be sent.

To sign up for EFT, the employee must provide 6 pieces of information:

- 1) Name of bank
- 2) Bank transit number (the number representing bank to which the payment is to be sent);
- 3) Bank account number (the number of the account assigned to the employee by the bank);
- 4) Type of account (is either “checking” or “savings”);
- 5) Amount of deduction; and
- 6) Employee authorization signature.

Direct Deposit Forms can be found on the State Treasurer’s website:

<http://www.hrd.state.ma.us/forms/DirDeposit.PDF>

Pre-Note Process

It is the policy of the State Treasurer to pre-notify or “pre-note” (test) EFT data provided by the employee. This process ensures the successful EFT transmission of payments sent to an employee’s bank. If the pre-noting is successful, future payments sent by the Treasurer to the employee’s bank will be by EFT.

The waiting period for an employee's direct deposit to complete the pre-note process is eight (8) business days. Therefore, if the direct deposit data is in the payroll system by the end of the first week of the pay period, the employee will receive direct deposit for that pay period's wages.

Failed EFT's

In the event that an employee's EFT fails (usually due to closed accounts), the State Treasurer's office will generate a paper check for that direct deposit amount.

The exception to this rule occurs when an employee distributes his/her net pay to multiple direct deposit accounts. When an employee sets up multiple direct deposit accounts, he/she is required to assign one of those accounts as the "excess" account. Excess accounts take any money left over once all the other direct deposit accounts have been satisfied.

If the "excess" account fails the electronic funds transfer, the State Treasurer's office will generate a paper check for that amount. If a "non-excess" account fails the electronic funds transfer, the amount slated for that account will drop into the "excess" account designated by the employee.

Mail Drop ID

The field Mail Drop ID, found on the payroll data panels within HR/CMS, will be used as a lower level location identifier for check sorting and time log delivery purposes. It is strongly recommended that Departments populate this field with characters that identify their location. In the old payroll systems, this number was either the Division Number or the Department/Org combination.

Unfunded Direct Deposits

When an employee who is on direct deposit, has his/her pay held due to funding issues, the direct deposit will also be held until the funding issues have been resolved. Once funded, the direct deposit payment will be sent to the employee's bank. Usually, the settlement date will be a date after the regular payday.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the State Treasurer establishes/identifies and implements the policy on Direct Deposits.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 29, Section 31

CHAPTER 6 PAYING THE EMPLOYEE**POLICY TITLE:** **DISBURSEMENT OF PAYMENTS****DATE ISSUED:****POLICY #:** **1/14/00****PAGE(S):** **6-2****1****POLICY**

Disbursement of payments is the responsibility of the Office of the State Treasurer. The disbursement of payments occurs once the Office of the Comptroller has certified that "Department signatory authority" approved payroll expenditures are sufficiently funded from authorized appropriations and accounts in the state accounting system.

Chapter 7A, Section 3 of the Massachusetts General Laws outlines, in general terms, the duties and responsibilities of the Comptroller. By statute the Comptroller must:

- "Examine all accounts and demands against the Commonwealth"; and
- Prepare a "certificate" specifying the amount due and allowed on each account, the name of the person to whom such amount is payable and the account to which it is chargeable.

The "certificate" is then sent to the Governor, who, with the "advice and consent of the council", issues his warrant to the State Treasurer for the amount to be disbursed.

Payroll payments are distributed on a biweekly basis to employees. They are sent to bank accounts via Electronic Funds Transfer (EFT) or to the employees via a paper check.

Per Massachusetts General Law, employees being paid on a biweekly basis are to be paid within six days of the termination of the pay period during which the wages were earned.

Every Department should have a DynaCash account for payroll emergencies. If for any reason an employee does not receive their biweekly payment, the Department should issue that employee a check out of their DynaCash account for the approximate net pay amount. This amount can be deducted from the next biweekly payroll for that employee. The DynaCash account may only be used in this instance.

APPLICABILITY This policy applies to all Commonwealth branches and Departments.**RESPONSIBLE PARTY** The Office of the State Treasurer establishes/identifies and implements the policy on Disbursement of Payments.**AUTHORITY** Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 149, Section 148

CHAPTER 7 PAYROLL ACCOUNTING**POLICY TITLE:****PAYROLL EXPENDITURE ADJUSTMENT TRANSACTIONS****DATE ISSUED:****1/14/00****POLICY #:****7-1****PAGE(S):****1****POLICY**

The Payroll Cost Reporting System (PCRS) automates payroll adjustment transactions and reconciles PCRS and MMARS payroll expenditure balances. Departments are responsible for processing all payroll adjustments through PCRS in order to assure that PCRS and MMARS are in sync. PCRS transactions do not update any data in HR/CMS, but in some cases are required to keep PCRS and MMARS in sync with HR/CMS adjustments.

Expenditure Correction (XA) Transaction

The expenditure correction (XA) transaction is a user entered document that modifies expenditure accounting information recorded on a payroll charge that has been processed through the payroll system. It does not change the dollar amount of the original expenditure. An expenditure correction corrects accounting data by decreasing expenditures in the incorrect account/organization/object code, etc., and increasing expenditures in the correct account/organization/object code, etc.

Historical Funds/Rules Edit

PCRS edits will determine whether a Department can process an XA. The two most important edits will be the historical funds edit and the PCRS rules edit. The historical funds edit will make sure that the account listed on the XA could have supported the charges at the time the charges were incurred. The rules edit verifies that there is an approved rule in place in the PCRS Rules Subsystem to allow an account change on the XA. If the document fails the rules edit, it will go to a REJECT status. If the XA fails the historical funds edit or crosses fiscal years, it will automatically go to a PEND status to be reviewed by the Comptroller's office.

Payroll Reject (XD) Transaction

The payroll reject (XD) transaction is system generated at the time of payroll production. It identifies incorrect or missing data on a processed payroll charge and appends the charge in the Department's payroll reject (so-called "9's") account while it awaits correction. It is important to remember that a payroll reject is a transaction and not merely a report of the error. This data must be corrected in order for the payroll charge to process against the correct expenditure account(s). When corrections are in place, the XD can be processed to decrease expenditures at the 9's account and increase expenditures at the original distribution account.

Insufficient Funds (XF) Transaction

The insufficient funds (XF) transaction is system generated at the time of payroll production. It identifies those Departments, accounts, subsidiaries and individual employees whose payroll is not sufficiently funded for a given pay period. Employee payments are held as a result and are not released until sufficient funds are available.

The related payroll charge is appended at the Department's payroll reject (so-called "9's") account. When sufficient funds are in place, the XF can be processed to decrease expenditures at the 9's account and increase expenditures at the original distribution account.

Departments are responsible for working with the Comptroller's Payroll Unit to resolve their insufficient funds problem. Only the Comptroller's Office can process an insufficient funds transaction, Departments have view access of the XF on the PCRS Holding File.

Expenditure Refund (XE) Transaction

The expenditure refund (XE) transaction is a user entered document that allows a Department to put money back into the accounting system that was paid in error. The XE is used for refunds processed in the current fiscal year and for refunds to continuing accounts received after July 1st, the start of a new fiscal year.

When payroll is concerned, the XE operates in tandem with a Payroll Refund Receipt Voucher Form. This receipt voucher form is the document that records the HR/CMS adjustment to be made, Departments use this form to enter information into HR/CMS. Departments enter the payroll receipt voucher on HR/CMS to correct an employee's year to date totals and then enter an XE transaction in PCRS to correct labor history in PCRS and accounting information in MMARS.

For refunds received in the current fiscal year for prior year expenditures in a non continuing or budgetary account, an XC transaction is used to process the refund. Departments will use the Payroll Refund Receipt Voucher Form for the XC in the same way they do an XE. An XC (Cash Transfer) functions in the same way as an XE within PCRS, however, the XC records a cash deposit (not an expenditure reduction).

User Defined Correction (XU) Transaction

The user defined correction (XU) transaction is used to correct PCRS data only. It allows a Department to modify/change secretariat and Department defined PCRS data on a prior period payroll charge. This change does not update MMARS since no MMARS data is being affected. An XU decreases expenditures in PCRS labor history only at the incorrect Department controlled data fields and increases expenditures at the correct Department controlled data fields.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Payroll Adjustment Transactions.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 29, Section 29

CHAPTER 7 PAYROLL ACCOUNTING

POLICY TITLE: PRIOR PERIOD PAYROLL ADJUSTMENTS

DATE ISSUED: 1/14/00
POLICY #: 7-2
PAGE(S): 1

POLICY There are three types of prior period payroll adjustments that can be made by Departments:

- Full or Partial recovery of overpayments made to active
- Full or Partial recovery of overpayments made to non active employees
- Adjustments that affect leave balances, such as VAC, SIC, PER, HOL, etc.

In some cases, these adjustments require a two step adjustment process. First the adjustment must be done in HR/CMS and, second, an adjustment must be done in PCRS to ensure that labor history in PCRS, payroll costing in HR/CMS, and payroll expenditures in MMARS are always in sync.

Full or Partial Recovery of Overpayment Made to Active Employee

When an overpayment is made to an employee who is currently active in the payroll system, it is the Department's responsibility to recover the amount that was overpaid and put the money back into the Commonwealth's treasury, and record the refund in the accounting system. All deductions made on an employee's behalf must also be recovered from the appropriate vendors. The following steps must be taken by the Department:

1. Reduce the employee's earnings by the overpayment amount in the next pay period possible. If you cannot recover the total amount in one pay period, use the next sequential pay period(s) until the total recovery amount is satisfied.
2. Contact the appropriate deduction vendors to recover the proper deduction amounts that were overpaid.

Note: Since overpayments are recovered from the next pay period, no additional adjustment will be required in either PCRS or the employee's year to date earnings balances.

Full or Partial Recovery of Overpayment Made to Non Active Employee

When an overpayment is made to an employee who is currently inactive or terminated in the payroll system, it is the Department's responsibility to recover the amount that was overpaid and put the money back into the Commonwealth's treasury, and record the refund in the accounting system. All deductions made on an employee's behalf must also be recovered from the appropriate vendors. This is accomplished by making adjustments in both HR/CMS and PCRS. The following steps must be taken:

1. Send the former employee a certified letter requesting the return of the full overpayment in the form of a money order, bank check or certified check.
2. Once the full payment is received, process a prior period check reversal in HR/CMS for the full amount. This will adjust the employee's year-to-date earnings balances for W2 purposes. If the employee does not send the full payment, the Department should contact the State Retirement Board in writing and request that a lien be put on that employee's retirement payout for the amount that the employee owes.
3. Enter an Expenditure Refund transaction (XE or XC depending on type of account) in PCRS for the full amount. This will adjust labor history and accounting information in MMARS. Please refer to the PCRS Procedures Manual for more information on processing the XE/XC.
4. Submit a completed Payroll Refund Receipt Voucher Form, accompanied by a CT (cash transfer), to the State Treasurer's office for processing. The form is used by the Treasurer's office and the State Retirement Board to adjust the employee's tax and retirement balances accordingly. In addition, the Department should submit a negative cash deposit (CD) to Treasury to adjust the Department's sweep account. Check recoveries should be deposited into the Department's bank account, to be swept by the State Treasurer.
5. Monitor the XE/XC in PCRS to ensure the transaction is processed completely and updates labor history and MMARS.

Adjustments That Affect Leave Balances Only

There are also adjustments that do not change dollar amounts, but only affect leave balances. These adjustments have to be made since they relate to earnings codes that determine an employee's leave balances. Examples of earnings codes that fall into this category include, sick time, vacation time, holiday time, personal time and compensatory time.

The following steps must be taken for adjustments that affect leave balances only:

1. Process a prior period earnings code adjustment in HR/CMS. This will adjust the employee's leave balances accordingly.
2. Process a User Defined transaction (XU) in PCRS for the earnings code. This will adjust labor history only, it will not update MMARS. Please refer to the PCRS Procedures Manual for more information on processing the XU.

If a Department fails to properly update both HR/CMS and PCRS/MMARS when processing an adjustment, it will not be able to rely on the validity of the payroll or accounting data found in any of those systems or in the Information Warehouse.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements the policy on Prior Period Payroll Adjustments.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 29

CHAPTER 7 PAYROLL ACCOUNTING

POLICY TITLE: **CLOSING A FISCAL YEAR**

DATE ISSUED: **1/14/00**

POLICY #: **7-3**

PAGE(S): **1**

POLICY

State finance law defines the budget fiscal year for all payments, including payrolls, to begin on July 1st and end on June 30th of the subsequent year. Services rendered by employees through June 30th must be charged to the FY Closing. The state employee payroll charges will be split for services rendered before June 30th and after July 1st prior to interfacing with MMARS. Departments must ensure that contract employee services prior to June 30th reference the correct fiscal year service contract in the state accounting system (MMARS) with dates of service prior to June 30th.

Sufficient Funding

Commonwealth Departments are responsible for planning to ensure that sufficient funding is available in MMARS to cover end of the year payroll expenditures for both state and contract employees.

Cleaning Up Adjustment Transactions

Closing a fiscal year requires that Departments clean up any outstanding payroll reject or expenditure refund transactions before the closing of the prior fiscal year.

Payroll Reject Transactions

A Payroll Reject (XD) transaction (MMARS PR for HRMIS) is generated when a payroll expense which is processed by HR/CMS, or HRMIS, has missing or erroneous data (e.g., incorrect expense budget or a missing program code). All XD and PR transactions must be corrected before the first payroll run of the new fiscal year. Departments must post XDs and PRs to accounting period 12 to insure that payroll expenditures are recorded in the appropriate fiscal year.

Expenditure Refund Transactions

For payroll refunds, Departments are required to process the Expenditure Refund transaction (XE) for payroll (MMARS ER for HRMIS) or a MMARS Contract Backout (CB) for contractor payroll on or before June 30th. Departments should take special care to clean up all outstanding Payroll Refund Receipt Vouchers prior to the final fiscal year payroll, so they only need to handle the few from the final payroll in July.

Accounts Payable Payroll

There are two types of Accounts Payable payroll in the Commonwealth: State Employee Accounts Payable and Contract Employee Accounts Payable.

For State Employee Accounts Payable payroll, Departments need to reserve (encumber) that portion of the account balances that will be used to support this accounts payable payroll using a Payroll Hold (PH) transaction in MMARS.

For Contract Employee Accounts Payable payroll, Departments are responsible for insuring that funds are made available in the prior fiscal year's MMARS Service Contract in order for the accounts payable payment to process.

PCRS Rules Table and Employee Default Rollover

Unless otherwise indicated, all PCRS Rules tables and Employee Defaults will roll over from the prior fiscal year into the new fiscal year.

If Departments choose not to have any of their PCRS Rules tables rolled over into the next fiscal year, they must enter an "N" on the PCRS Rollover Table next to those tables they do not want rolled over. In addition, if Departments choose not to have their current defaults rolled over into the next fiscal year, they must enter an "N" next to the "Labor Defaults" field located on the PCRS Rollover Table. Their new fiscal year defaults will then be inferred by PCRS at the statutory level only (Department, Organization, Account, Subsidiary, Object Code).

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Closing a Fiscal Year.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 4, Section 7, Ninth The Commonwealth of Massachusetts Annual Closing/Opening Instructions issued by the Office of the Comptroller

CHAPTER 7 PAYROLL ACCOUNTING

POLICY TITLE: **OPENING A NEW FISCAL YEAR**

DATE ISSUED: **1/14/00**

POLICY #: **7-4**

PAGE(S): **1**

POLICY State finance law defines the budget fiscal year for all payments, including payrolls, to begin on July 1st and end on June 30th of the subsequent year. The official opening of the new fiscal year takes place with the issuance of a memorandum by the Comptroller. In this memorandum, the Comptroller notes the official opening of both the payroll systems and MMARS. At that time all accounts in all funds are registered in MMARS, consistent with the General Appropriation Act (GAA).

If a General Appropriation Act is not enacted by the Senate and House and signed by the Governor on or before July 1, an interim budget is needed. An interim budget begins with the Governor filing a bill with the Senate and House that provides for funds to meet expenditures to maintain necessary services through a specific date by which it is anticipated that the General Appropriation Act will be in place.

Employee payrolls will be processed and payments will be issued as long as there is an approved interim budget. No special processing is required if your FY Closing payroll account will continue in the provisional accounts loaded for FY Opening.

Please refer to the annual Closing/Opening document for further instruction. The Closing/Opening document can be found on the Comptroller's website:
<http://www.osc.state.ma.us/Homeview/OpenClose/fy00/CO9900.doc>

Rollover of Accounting, Reference and Payroll Tables

As the current fiscal year comes to a close on June 30th, and the new fiscal year begins on July 1st, a series of MMARS, HR/CMS and PCRS tables and defaults are rolled over from the previous fiscal year into the new fiscal year.

MMARS Reference and Financial tables are rolled in April. In May, provisional obligation ceilings are loaded into MMARS, and once the General Appropriation Act (GAA) is approved, these provisional obligation ceilings are removed and the GAA is loaded into MMARS for the new fiscal year.

Rollover of Positions in HR/CMS

Every position in HR/CMS is tied to an account code (i.e. 2000CTR99119911). Each fiscal year HR/CMS will replace the fiscal year part of the account code with the new fiscal year's value. This is done after the split fiscal year payroll has been processed.

Departments are still responsible for realigning positions with account codes due to any changes in their MMARS appropriation accounts.

Rollover of PCRS Tables and Employee Default Schedules

The Payroll Cost Reporting System (PCRS) rolls over a series of rules tables and employee defaults from the previous fiscal year into the new fiscal year. These PCRS rules and defaults must be maintained by Departments so that employees' biweekly payroll charges will be distributed to the correct cost centers.

These PCRS rules roll into the new fiscal year for each Department unless otherwise indicated by the Department:

- Non-statutory rules (Sect-1, Sect-2, Dept-1 through Dept-6, Org Code, Program Code, Program Code/Dept-1 and Non Statutory Requirements).
- Approved current fiscal year statutory rules (Position Assigned #1 through #4) roll to a pend (P) status. Any pending or disapproved rules in the current fiscal year do not roll forward into the new fiscal year.

Alternate Account and Account Specific rules do not roll over, they must be applied for with each new fiscal year.

It is strongly recommended that every Department review each of their new fiscal year defaults before the end of June. This will alert the user to any errors with the new fiscal year default (invalid Program Code, Department-defined criteria etc.), and thus will greatly reduce the chance that an insufficient funds (XF) or payroll reject (XD) transaction will occur with the first payroll production run of the new fiscal year. If a Department's PCRS rules/defaults are not in place for the first payroll production run of the new fiscal year, they run the risk of having their payroll reject.

PCRS Rules Approval Process

PCRS Rules tables roll to a pending status in May. Departments can start submitting their rules requests to the Payroll Unit at the Office of the Comptroller for the new fiscal year in May. To ensure that rules are approved and ready for use in the new fiscal year, Departments must initiate the PCRS Rules Approval Process.

Processing Adjustments

After the GAA has been loaded in MMARS, Departments must reconcile the accounting discrepancies resulting from the fiscal year transition period.

Insufficient Funds/Payroll Rejects

Departments who have insufficient funding in their new fiscal year accounts will generate an Insufficient Funds Transaction (XF for HR/CMS, IF for HRMIS) with the first payroll run of the new year. Those Departments with incorrect data on any of their payroll charges will generate Payroll Reject Transactions (XD for HR/CMS, PR for HRMIS) with the first payroll run of the new year. These system generated transactions must be corrected/processed as soon as possible to ensure expenditures charge against the proper accounts.

Expenditure Refunds

Payroll refunds for non-continuing accounts, and appropriation type 01 (budgeted accounts), received after July 1st, should be processed using the MMARS CD transaction for HRMIS Departments and the PCRS XC transaction for HR/CMS Departments. These will be treated as miscellaneous revenue in the FY Opening. Departments should enter an XC into PCRS to correct payroll information, and should make the appropriate adjustment entries in HR/CMS.

Payroll Refunds for continuing accounts, such as federal or trust accounts, received after July 1st should be processed through the PCRS XE or MMARS ER transactions and will be adjusted in the Department's FY Opening account.

For refunds received in the current fiscal year for prior year expenditures in a non continuing or budgetary account, an XC transaction is used to process the refund. An XC (Cash Transfer) functions in the same way as an XE within PCRS, however, the XC records a cash deposit (not an expenditure reduction).

Split Fiscal Year State Employee Payroll Processing

When a payroll cycle spans both fiscal years, services rendered by employees through June 30th will be charged to the Closing FY. Services rendered after June 30th will be charged to the Opening FY. The payroll system will split the charges appropriately between fiscal years prior to interfacing with MMARS. It is the Department's responsibility to make sure both fiscal years are funded appropriately.

Departments should take the necessary steps to update their employees' PCRS Labor Cost Accounting Defaults to accurately reflect any accounting changes for the FY Opening. During the split week, both the Closing and the Opening fiscal year defaults and exception screens will be available to Departments for posting purposes. After the split week payroll has processed, only the FY Opening's default and exception screens will be available to the user for regular payroll processing.

Split Fiscal Year Contract Employee Payroll Processing

When a payroll cycle spans both fiscal years, services rendered by contract employees through June 30th must be charged to a Closing FY service contract in MMARS. Contract employee services rendered after June 30th must be charged to the new Opening FY service contract in MMARS.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Opening a New Fiscal Year.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 4, Section 7, Ninth The Commonwealth of Massachusetts Annual Closing/Opening Instructions issued by the Office of the Comptroller

CHAPTER 7	PAYROLL ACCOUNTING
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POLICY TITLE: PAYROLL WARRANT PROCESSING

DATE ISSUED: 1/14/00

POLICY #: 7-5

PAGE(S): 1

POLICY

Massachusetts General Law Chapter 7A Section 3 states one of the duties of the Comptroller as reviewing requests for payment and presenting a "certificate" to the Governor, who following review by the Governor's Council, issues a warrant to the Office of the State Treasurer for the payments on the "certificate" to be disbursed.

Payroll is a certified expenditure on the warrant and must be included as part of the warrant each time the payroll process is successfully completed. Department heads or their designees must certify payroll expenditures to the Comptroller for inclusion on the warrant in accordance with the Payroll Expenditure Approval policy in Chapter 5 of this manual. This certification must be done biweekly or each time payroll expenditures are presented for payment.

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The Office of the Comptroller establishes/identifies and implements the policy on Payroll Warrant Processing.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8

CHAPTER 8 TAX ADMINISTRATION

POLICY TITLE: NON-RESIDENT ALIEN TAX TREATY

DATE ISSUED: 1/14/00
POLICY #: 8-1
PAGE(S): 1

POLICY Non-Resident aliens are individuals who are not U.S. citizens or residents, and are subject to the same federal income tax withholding requirements as other employees for all of their income that is from U.S. sources, with some exceptions. The U.S. has income tax treaties with more than 45 countries that exempt or reduce the amount of withholding from wages earned by non-resident aliens in the U.S. if certain conditions are met. Some treaties have different exemptions or reductions for income earned by independent contractors and by employees.

Substantial Presence Test

A Substantial Presence Test is used to determine the residence status of a foreign citizen for withholding tax purposes.

A foreign citizen is considered a resident alien for tax purposes if:

- Foreign citizens that are a lawful permanent resident of the United States (had a "Green Card") at any time during the current full tax reporting year.
- Physically present in the U.S. for at least 31 days during the current full tax reporting calendar year; and
- 183 days during the current full tax reporting year and the 2 preceding tax reporting years, counting all the days of physical presence in the current tax reporting year, but only one-third the number of days of presence in the first preceding tax reporting year, and only one-sixth the number of days in the second tax reporting preceding year.

Foreign citizens who do not meet these requirements are considered non-resident aliens for tax purposes. The Substantial Presence Test has nothing to do with the foreign citizen's intent in staying in the U.S. or whether they have an immigrant or nonimmigrant visa.

Information on the Substantial Presence Test can be found on the IRS website:

<http://ftp.fedworld.gov/pub/irs-pdf/p519.pdf>

Tax Treaty Benefits

Residents of certain foreign countries may be entitled to reduced tax rates or tax exemption under a tax treaty between their country of residence and the United States. To claim benefits of a treaty, an employee must have a visa and be a resident of one of the treaty countries. An employee can claim benefits of only one treaty at any given time. Employees wishing to claim benefits under a tax treaty must submit a written statement to their employer, along with applicable forms (W-4, Form 8233, Form W-8BEN).

According to IRS regulations, if you pay wages to nonresident aliens, you must withhold income tax, social security, and Medicare taxes as you would for a U.S. citizen (unless excepted by federal regulation).

The Commonwealth is required to produce an IRS Form 1042-S for each non-resident alien employee affected by special withholding rates or affected by different taxation rates on specific types of earnings, such as scholarships, grants and fellowships. Earnings reported on a 1042-S are not reported on a W2; so, an employee may need both a W2 and a 1042-S if some earnings are covered by the special tax treaty rates and some are not.

Non-Resident Alien Paperwork

Employers must obtain this paperwork from each non-resident alien:

- Employee's social security number, taxpayer identification number or foreign visa ;
- A completed W-8BEN Form (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding), attesting to the non-resident alien's identity, foreign status and exemption from withholding based on an income tax treaty, if applicable;
- A completed W-4 Form (Employee's Withholding Allowance Certificate).

W-8BEN Forms can be found on the IRS website:

<http://ftp.fedworld.gov/pub/irs-pdf/fw8ben.pdf>

Claiming Exempt on Form W-4

Non Resident Alien employees who claim an exemption from tax withholding on their Form W-4 must submit a new Form W-4 annually, attesting to their exempt status. Claims of exemption can be in effect for a maximum of one calendar year at which time the employee must re-file to claim Exempt status. If the employee does not submit a new Form W-4 for the new calendar year by February 15th of that year, they will have their tax status reset to the single status rate, with no withholding allowances.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY

The Internal Revenue Service establishes/identifies the policy on Non Resident Alien Tax Treaties. The Office of the Comptroller implements said policy for Commonwealth employees.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
IRS Publication 515 "Withholding of Tax on Nonresident Aliens and Foreign Corporations"
IRS Publication 519 "U.S. Tax Guide for Aliens"
IRS Publication 901 "U.S. Tax Treaties"
Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Internal Revenue Code, Section 1441
Internal Revenue Code, Section 871-879

CHAPTER 8 TAX ADMINISTRATION**POLICY TITLE:** **TAX REFUNDS****DATE ISSUED:** **1/14/00**
POLICY #: **8-2**
PAGE(S): **1**

POLICY The Payroll Unit at the Office of the Comptroller manages requests for payroll tax refunds for all state Departments. Payroll taxes include federal withholding, state withholding and Medicare tax.

Tax Refund Process

Departments can request payroll tax refunds from the Office of the Comptroller when an error has been made on an employee's tax withholding. Only those employees who have had tax withheld in error are eligible to receive a refund.

For a current year tax refund, the Department is responsible for sending the Comptroller's office:

- A letter of request and an explanation of the error from the Department's Payroll Director;
- A screen print of the employee's personal data; and
- Year to date balances of amounts withheld.

For a prior year tax refund, the Department is responsible for sending the Comptroller's office:

- A letter of request and an explanation of the error from the Department's Payroll Director;
- A screen print of the employee's personal data;
- The employee's Form W-2;
- A completed Form W-2C; and
- A completed Form W-3C form.

After the appropriate paperwork has been submitted by the Department, the Comptroller's office will:

- Review and process the refund based on IRS regulations and guidelines;
- Request the refund payment from the Office of the State Treasurer (TRE);
- Mail refunds to the employee's home address;
- Correct the employee's W-2 file prior to the end of the year (current year); or
- File a corrected tax reporting form with the appropriate government entities (prior year).

Tax Refund Request Forms can be found on the Comptroller's website:

<http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm>

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Tax Refunds.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 62C, Sections 36 and 40 Consolidated Omnibus and Reconciliation Act of 1986 (COBRA), Section 13205 MMARS Memo #26 "Medicare Coverage for New Employees"

CHAPTER 8 TAX ADMINISTRATION

POLICY TITLE: NON-CASH EMPLOYEE BENEFITS

DATE ISSUED: 1/14/00
POLICY #: 8-3
PAGE(S): 1

POLICY Non-cash benefits are benefits the Commonwealth provides to its employees in exchange for services provided by those employees to the Commonwealth. These non-cash benefits are assigned a value and are reported on an employee's W-2 as earned income. These benefits are recorded in the state payroll system and reported on the employee's W-2. Please refer to IRS Publication 535, "Business Expenses" for additional guidance on non-cash fringe benefits and their valuations.

Some examples of non-cash benefits are listed below.

Commonwealth Non-Cash Benefits include:

- Housing Allowances
- State Car Usage

Housing Allowances

Employees who either live in state owned property or a property in which the state pays the rent on the employee's behalf are receiving a housing allowance benefit. This non-cash benefit is a W-2 tax reportable event.

State Car Usage

Employees who have the use of a state owned car for domicile travel or who use a car rented or leased by the state are receiving a state car usage benefit. This non-cash benefit is a W-2 tax reportable event.

APPLICABILITY This policy applies to all Commonwealth branches and Departments.

RESPONSIBLE PARTY The Office of the Comptroller and appropriate human resource authorities jointly establish/identify and implement the policy on Non-Cash Employee Benefits.

AUTHORITY Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 7, Section 28
Massachusetts General Laws, Chapter 62, B and C
IRS Publication 535, "Business Expenses"
IRC Section 132 (f)

CHAPTER 9 REPORTS MANAGEMENT/WAREHOUSE

POLICY TITLE: **PAYROLL REPORTS MANAGEMENT/WAREHOUSE**

DATE ISSUED: **1/14/00**

POLICY #: **9-1**

PAGE(S): **1**

POLICY

Payroll information is available in a variety of ways. The Commonwealth Information Warehouse, which stores the Commonwealth's payroll and accounting data, and ViewDirect/DocumentDirect, which gives users access to online payroll and audit reports, are two of the most commonly used methods of retrieving payroll information.

It is the policy of the Comptroller's office that audit trail and all standard payroll reports will be electronically available to all Departments. These reports will be run on a predetermined schedule and archived in ViewDirect/DocumentDirect. All data related to payroll will be available in the Commonwealth's Information Warehouse.

Standard payroll reports will be available in ViewDirect/DocumentDirect, and for those users who want to access historical data or create their own ad hoc reports, the Information Warehouse will continue to store historical and current payroll information.

The Information Warehouse has been the source of Payroll Cost Reporting System (PCRS) labor distribution and earnings data since July of 1994. Financial data is available in the Warehouse from Fiscal Year 1993 to the present fiscal year.

All Commonwealth payroll systems must support the creation of audit trail report and standard payroll transaction verification reports.

However, at this time, the Office of the Comptroller in conjunction with the HR/CMS project team recognize that audit and standard payroll reports will effectively consist of the following reports when HR/CMS is implemented:

Payroll Audit Reports:

Payroll Register (Payroll Warrant)
Payroll Variance Report
Payroll Summary
Balance Adjustment Report
GAAP Accumulated Leave Valuation Report
HR/CMS Prior Period Adjustment Report

Payroll Standard Reports:

Deductions Register (PAY001)
Payroll Register (PAY002)
Payroll Check Register (PAY004)
Other Earnings Register (PAY006)
Deductions in Arrears (PAY007)
Deductions Not Taken (PAY008)
Payroll Error Messages (PAY011)
Employee Earnings Record – US (PAY014)
Print Earnings Distributions (PAY017)
Benefits Register (PAY021)
Balance Adjustment Report (PAY025)
Retro Pay Request Summary Report ((PAY300RT)
Retro Pay Detail Report (PAY301RT)
Retro Pay Summary Report (PAY302RT)
Retro Pay Term Empl Prcs Report (PAY303RT)
GAAP Accumulated Leave Valuation Report (MBEN008R)
Retirement \$2,000 Exception Report (MPAY002B.SQR)
Sick Leave Adjustment Report (MPAY004B.SQR)
Part Time Leave Proration Report (MPAY005B.SQR)
Payroll Variance Report (MPAY006)
Bond Purchase by Department (MPAY009R)

Commonwealth Information Warehouse

The Commonwealth Information Warehouse is a centralized, integrated database that gathers data from a variety of source systems (Accounting data from MMARS, Payroll Cost data from PCRS, and Personnel data from HR/CMS).

The Information Warehouse has been the source of Payroll Cost Reporting System (PCRS) labor distribution and earnings data since July of 1994. Financial data is available in the Warehouse from Fiscal Year 1993 to the present fiscal year, and Human Resource data is available from Fiscal Year 1995 to the present fiscal year.

It is important to note that the data available in the Information Warehouse is only accessible with specific authorization by individual Departments through a standard query tool, such as Microsoft Access or Excel. Unlike standard reports available on ViewDirect/DocumentDirect, the Warehouse is designed to answer specific questions put forth by the user, using the previously mentioned query tools.

For more information on using the Information Warehouse, please visit their website at www.iw.state.ma.us, or contact the Warehouse Helpline at 1-800-335-4702.

Public Records Confidentiality

Departments will be required to maintain all payroll records in accordance with the confidentiality and public records requirements of Massachusetts General Law Chapters 66, 66A, 801 CMR 3.00, 950 CMR 32.00 and 950 CMR 33.00 as applicable.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Payroll Reports Management/Warehouse and, as a member of the Information Warehouse Executive Committee, provides requirements for payroll data in the Commonwealth's Information Warehouse.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 66 and 66A 801 CMR 3.00 Privacy and Confidentiality 950 CMR 32.00 Public Records Access 950 CMR 33.00 Fair Information Practices

CHAPTER 10**WAGE REPORTING****POLICY TITLE:****YEAR END/W-2 PROCESSING****DATE ISSUED:****1/14/00****POLICY #:****10-1****PAGE(S):****1****POLICY**

Once an employer has paid wages to, and withheld taxes from, an employee in a calendar year, the employer must report to the employee the amounts paid and withheld so the employee can file income tax returns. These amounts must also be reported to the Department of Revenue and the Social Security Administration (SSA) so an employee's earnings and benefit accounts can be properly credited. The SSA shares employee earnings and tax information with the IRS.

The employer reports Forms W-2, Wage and Tax Statements to the SSA, and the state and local taxing agencies. The deadline for issue of a Form W-2 is January 31st of the following year.

Distribution of Form W-2

The Commonwealth's policy is to mail Form W-2's to employees at their home addresses. When an employer is unable, after a reasonable effort, to deliver an employee's Form W-2, the employee's Department is required to keep those copies for four years. Mailing the Form W-2 to an employee's last known address is considered a reasonable effort to make delivery. Employee Form W-2's are available on ViewDirect/DocumentDirect for a period of 7 years.

To ensure proper delivery of Form W-2's, payroll managers must verify that employees' home addresses are accurately recorded in the payroll system prior to W-2 processing. Undeliverable Form W-2's will be returned to the Office of the Comptroller and forwarded to the Payroll Director for distribution to employees.

Reissued Form W-2

If an employee loses a Form W-2 or it is destroyed, the employee's Department will reprint Form W-2 using Document Direct. In order to print W-2s in your Department, the "forms" versions of Document Direct for Windows is required. If your Department does not have this version, have your Network Administrator contact the Director of Computer Operations at the Massachusetts Information Technology Center at (617) 660-4555.

Form W-2 Corrections

If the department or employee, determines that the name, social security number, or any of the information reported on the employee's Form W-2 is incorrect, the department must submit a form W-2C (Statement of Corrected Income and Tax Amounts), a form W-3C (Transmittal of Corrected Wage and Tax Statements), signed by an authorized signatory and a memo explaining the reason for the correction. These should be submitted to the Comptroller according to the following procedures:

- 1) Department Payroll personnel should complete a Form W-2c and a Form W-3c (signed by a department signatory)
- 2) Copy C of the W-2c should be provided to the employee.
- 3) Copies A & 1 of the W-2c, and Form W-3c, should be forwarded to: Office of the Comptroller, Attn: David DelRossi, One Ashburton Place, 9th Floor, Boston, MA 02108, (617) 973-2629.

The Comptroller's office will file the Forms W-2c and W-3c with both the IRS and the Department of Revenue (DOR).

- 4) Update the payroll system with corrections to non-financial information.
- 5) Copy D of the W-2c must be retained by the Department for future reference and audit trail purposes.

Blank Forms W-2c and W-3c are available at any IRS John F. Kennedy Building, Government Center, Boston, MA

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements the policy on Year End/W-2 Processing.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8
Massachusetts General Laws, Chapter 58, Section 28B
Massachusetts General Laws, Chapter 62B, Section 5
26 USC §6051
26 USC §31.6051 – 1(d)(1)

CHAPTER 11**UNEMPLOYMENT INSURANCE**

POLICY TITLE: **UNEMPLOYMENT INSURANCE REPORTING/UNIVERSAL HEALTH**

DATE ISSUED: **1/14/00**

POLICY #: **11-1**

PAGE(S): **1**

POLICY**Unemployment Insurance (UI)**

Unemployment Insurance (UI) coverage for employees of the Commonwealth is governed by Chapter 151A, Section 14C of the Massachusetts General Laws. The Deputy Director of the Division of Employment and Training, in conjunction with the U.S. Department of Labor, is authorized to establish an Unemployment Insurance Rate and provide guidelines to employers.

The Office of the Comptroller is responsible for preparing a quarterly Unemployment Insurance Report and for paying Unemployment Insurance premiums to the Division of Employment and Training on behalf of Commonwealth Departments.

Departments are responsible for ensuring that employees are properly classified in the payroll system as to whether they are subject to or not subject to unemployment insurance contributions.

All employees, both state and contract, contribute to Unemployment Insurance. Unless otherwise specified in general or special laws, all wages paid to an employee for services rendered from January 1st to December 31st of any tax year is subject to unemployment contribution.

Wages paid for the following services are excluded from UI contributions:

- Wages paid to elected officials
- Wages paid to judges of the Commonwealth
- Wages paid to clients
- Wages paid to the National Guard
- Wages paid to students who work and attend classes in the same school
- Wages paid to student nurses in the employ of a hospital or school
- Wages paid to interns and research assistants (e.g. judicial clerkships, medical residencies)
- Wages paid to service agricultural laborers
- Wages paid to workers in a private, local college club, or local chapter of a college fraternity or sorority
- Wages paid to independent contractors

At the end of every quarter, the HR/CMS payroll system will provide Unemployment Insurance information to the Payroll Unit at the Office of the Comptroller and the UI Administration Division at the Division of Employment and Training via Information Warehouse reporting.

Universal Health Insurance (UHI)

Universal Health Insurance (UHI) contributions are governed by Chapter 151A, Section 14G of the Massachusetts General Laws. The UHI contribution rate is determined by the Deputy Director of the Division of Employment and Training.

Each Department, except those who employ five or fewer employees, is required to pay UHI contribution for each employee.

The Office of the Comptroller is responsible for preparing a quarterly UHI report and for sending the contribution to the Division of Employment and Training on behalf of Commonwealth Departments.

At the end of every quarter, HR/CMS will provide Universal Health Insurance reports to the Payroll Unit at the Office of the Comptroller.

Chargebacks

In order for the Office of the Comptroller to fulfill its obligation to pay Unemployment Insurance and Universal Health premiums on behalf of Commonwealth employees, there is a chargeback process for each state Department.

UI and UHI contributions are transferred from each Department's payroll account to the Comptroller's UI and UHI account. The Comptroller's office then uses this account to pay the UI and UHI contributions due on behalf of all employees.

APPLICABILITY	This policy applies to all Commonwealth branches and Departments.
RESPONSIBLE PARTY	The Office of the Comptroller establishes/identifies and implements the policy on Unemployment Insurance reporting and Universal Health Insurance reporting.
AUTHORITY	Massachusetts General Laws, Chapter 7A, Sections 3, 7 and 8 Massachusetts General Laws, Chapter 151A, Section 14C Massachusetts General Laws, Chapter 151A, Section 14G

CHAPTER 12 RECORDKEEPING AND RECORD RETENTION

POLICY TITLE: **ARCHIVING OF PAYROLL RECORDS**

DATE ISSUED: **1/14/00**

POLICY #: **12-1**

PAGE(S): **1**

POLICY **Retention of Payroll Records**

Departments are required to preserve payroll records for seven years from the last date of entry. Compliance with this policy is handled centrally by keeping these payroll audit trail reports on ViewDirect/DocumentDirect for a total of seven (7) years as approved by the Records Conservation Board:

- Payroll Register (Payroll Warrant)
- Payroll Variance Report
- Payroll Summary
- Balance Adjustment Report
- GAAP Accumulated Leave Valuation Report

Retention of Forms W-2

Employers are required to keep an employee's Form W-2 for seven (7) years after the due date of the tax for the return period to which the records relate, or the date such tax is paid, whichever is later. Information related to taxes paid by employees must be retained by the employer for at least seven years after the due date of the employee's personal tax return (generally April 15). If an employer files a claim for refund, credit, or abatement of withheld income and employment taxes, records related to the claim must be retained for at least seven (7) years after the filing date of the claim.

Compliance with this regulation is handled centrally by keeping payroll audit trail reports on ViewDirect/DocumentDirect for a total of seven (7) years as approved by the Records Conservation Board.

Retention of Time Logs/Time Records

Departments are required to keep an employee's time logs and time records (sheets/cards) for a minimum of three (3) years from the last date of entry. Departments should also remain in compliance with recordkeeping requirements under the public records law.

Public Records Confidentiality

Departments will be required to maintain all payroll records in accordance with the confidentiality and public records requirements of Massachusetts General Law Chapters 66, 66A, 801 CMR 3.00, 950 CMR 32.00 and 950 CMR 33.00 as applicable.

Disposal Schedules for Payroll Records

The use of ViewDirect/DocumentDirect as an on-line report storage device has replaced the need to retain and store paper reports. All audit trail reports are kept on-line in ViewDirect/DocumentDirect for seven (7) years from the date of issuance, and all non-audit trail reports are kept on-line for one (1) year from the date of issuance.

Departments are required to keep payroll records one (1) year after audit. If a Department has been notified of a pending audit or has an audit in process, all records pertaining to the audit (Statewide Single Audit, audits performed by the Office of the State Auditor, the Federal Government, or any other Audit group) need to be kept until the completion of the audit. Also, consideration should be given to federal government requirements for retention of records pertaining to federal programs and activities administered by the Commonwealth.

Payroll records management disposal schedules are established for:

- State Employee Payroll Information
- Contract Employee Payroll Information
- Special Payroll Information
- PCRS Adjustment Transactions
- Payroll Audit Trail Reports

The disposal schedules contain information on the purpose of the records, the duplicates location, the length of time the records need to be retained in the offices of the Department creating the records, the length of time the records need to be retained in the State Record Center, the final disposition of the records (i.e. destruction or permanent retention), and the total retention of said records.

Please refer to the updated MMARS Memo #287, "New Records Management Disposal Schedules" for more detailed information regarding disposal schedules.

Departments have the responsibility of transferring the "record copy" documents to the State Records Center. The documents need to be stored in state record center boxes. Departments must properly label the boxes and need to coordinate the transfer of the documents from their offices to the State Records Center.

These procedures have been instituted to allow prompt access to records if required.

APPLICABILITY

This policy applies to all Commonwealth branches and Departments.

**RESPONSIBLE
PARTY**

The Office of the Comptroller establishes/identifies and implements the policy on Archiving of Payroll Records.

AUTHORITY

Massachusetts General Laws, Chapter 7A, Sections 3, 5, 7 and 8
MMARS Memo #287 "New Records Management Disposal Schedules"
29 CFR §516.2 and 516.5 "Wage and Hour Division, Department of Labor, Records to be Kept by Employers"
26 CFR §31.6001-1(e)(2) "Employment Taxes and Collection of Income Tax At Source"
801 CMR 3.00 Privacy and Confidentiality
950 CMR 32.00 Public Records Access
950 CMR 33.00 Fair Information Practices

FORMS APPENDIX

The table below lists the forms required (if any) for each payroll deduction, the entity who distributes the form, and a website where the form can be found (where available).

Payroll Deduction Forms Table

Deduction	Form Required	Who Distributes the Form	Form Website (where available)
Federal Income Tax	W-4	IRS, 15 New Sudbury Street Rm G65, Boston, MA 02203 (617) 536-1040	http://ftp.fedworld.gov/pub/irs-pdf/fw4_00.pdf
Medicare Tax	No form	N/A	N/A
State Income Tax	W-4 or M-4	Department of Revenue 19 Staniford Street Boston, MA 02114 1-800-392-6089	http://ftp.fedworld.gov/pub/irs-pdf/fw4_00.pdf or http://www.dor.state.ma.us/forms/wage_rpt/pdfs/m_4.pdf
Regular Retirement	New Member Enrollment Form	State Retirement Board, One Ashburton Place, Boston, MA 02108 (617) 367-7770	
Alternate Retirement	OBRA Form	Office of the State Treasurer, One Ashburton Place, 12th Floor, Boston, MA 02108 (617) 367-3900	
Wage Garnishments	Garnishment Data Input Form Garnishment Payee Request Form	Office of the Comptroller, One Ashburton Place, 9 th Floor, Boston, MA 02108 (617) 727-5995	http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm
Salary Advance	Salary Advance Request Form	Office of the State Treasurer, One Ashburton Place, 12th Floor, Boston, MA 02108 (617) 367-3900	
Basic Insurance	Insurance Enrollment/Change Form	Group Insurance Commission, PO Box 8747, Boston, MA 02114 (617) 727-2310	
Long Term Disability Insurance	Long Term Income Protection Plan	Group Insurance Commission, PO Box 8747, Boston, MA 02114 (617) 727-2310	

Deduction	Form Required	Who Distributes the Form	Form Website (where available)
Dental/Vision Insurance	Dental/Vision Enrollment/Change Form	Group Insurance Commission, PO Box 8747, Boston, MA 02114 (617) 727-2310	
Optional Life Insurance	Life Insurance Form	Group Insurance Commission, PO Box 8747, Boston, MA 02114 (617) 727-2310	
Special Insurance Deductions	Payroll Deduction Authorization (PDA) for Insurance or other Employee Deductions	Office of the Comptroller, One Ashburton Place, 9 th Floor, Boston, MA 02108 (617) 727-5995	http://www.osc.state.ma.us/Payinfo/payroll/PDAform.pdf
Union Dues	No Form	N/A	N/A
Agency Service Fees	No Form	N/A	N/A
Dependent Care Assistance Program (DCAP)	DCAP Application	Human Resources Division One Ashburton Place, 2nd Floor, Boston, MA 02108 (617) 727-3777	http://www.osc.state.ma.us/Payinfo/payroll/DCAPelectform98.pdf
Tax Shelter Annuity	Department and Vendor Forms	Office of the State Treasurer, One Ashburton Place, 12th Floor, Boston, MA 02108 (617) 367-3900	
Deferred Compensation	Payroll Authorization Card	Office of the State Treasurer, One Ashburton Place, 12th Floor, Boston, MA 02108 (617) 367-3900	
Savings Bonds	Savings Bond EE Form	US Treasury, Savings Bond Office, 10 Causeway Street, Room 463, Boston, MA 02222 (617) 565-6190	ftp://208.131.225.4/mar2152e.pdf
Commonwealth of Massachusetts Employee's Charitable Campaign (COMECC)	COMECC Form	Human Resources Division One Ashburton Place, 2nd Floor, Boston, MA 02108 (617) 727-3555	
MBTA Passes	MBTA Deduction Form	Human Resources Division One Ashburton Place, 2nd Floor, Boston, MA 02108 (617) 727-3777	http://www.osc.state.ma.us/Payinfo/payroll/FormsOnDemand.htm
Commonwealth Fees	Payroll Deduction Authorization (PDA) for Insurance or other Employee Deductions	Office of the Comptroller, One Ashburton Place, 9 th Floor, Boston, MA 02108 (617) 727-5995	http://www.osc.state.ma.us/Payinfo/payroll/PDAform.pdf

